

LECTURES

ON THE

ELEMENTS

OF

POLITICAL ECONOMY.

BY THOMAS COOPER, M. D.

*President of the South Carolina College, and Professor
of Chemistry and Political Economy.*

COLUMBIA.

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DISTRICT OF SOUTH CAROLINA.

BE it remembered, that on the fourteenth day of November, Anno Domini 1826, and in the fifty first year of the Independence of the United States of America: Docter THOMAS COOPER, deposited in this office the title of a Book, the right whereof he claims as Author and Proprietor, in the words following, to wit:

LECTURES

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POLITICAL ECONOMY.

BY THOMAS COOPER, M.D.

President of the South Carolina College,

AND PROFESSOR OF

CHEMISTRY AND POLITICAL ECONOMY:

Columbia.

In conformity with an act of Congress of the United States, entitled "an act for the encouragement of learning by securing the copies of Maps, Charts, and Books, to the authors and proprietors, of such copies during the times therein mentioned." And also an act entitled "an act for the encouragement of learning by securing the copies of Maps, Charts, and Books, to the authors and proprietors of such copies during the times therein mentioned, and extending the benefits thereof, to the arts of designing and etching historical and other prints."

JAMES JERVEY,

District Clerk, South Carolina District.

PREFACE.

AT the Commencement held in the South Carolina College for 1824, I delivered an address recommending the study of POLITICAL ECONOMY, and the regular appointment of a Professor for the purpose. The culpable inattention in our Country to a science of such extensive application, and the manifest ignorance or neglect of its first principles, among our Statesmen and Legislatures, seemed to me imperiously to call for some measures which should force into public notice a branch of knowledge, on which human happiness so much depended. The Trustees of the College were of opinion with me: and requested I should draw up and deliver a course of Lectures on Political Economy to the Senior Class of the Students of the College. On being freed from the Professorship of Rhetoric, Criticism and Belles Lettres, which has now devolved on my friend Mr. Nott; I delivered in conformity to the request of the Trustees, the following course of Lectures, in addition to my Professorship of Chemistry. I hope with good effect. For we teach our youth in vain, unless we enable them to keep pace with the improvements of the day.

In this country, Political Economy, and the theory of Politics, are of peculiar importance. Every well educated young man throughout the United States, considers himself as a Politician; and whatever other pursuits he may embark in, he is sure

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to pay attention enough to Politics. Moreover, our Legislature contains so many gentlemen brought up at this Institution, and is so likely in future to be in the same situation, that a young man going from this College, without some elementary notions relating to this modern branch of knowledge, would be but ill prepared for the duties, which some years hence he may be called upon to undertake. At any rate, an enlightened public will make an enlightened Legislature; and those Representatives who appear ignorant of that which every gentleman ought to know, will not long continue to misrepresent those who are gradually becoming wiser than themselves.

In Europe, there is now but one opinion of the absolute necessity of this knowledge to a Statesman. There is but one opinion of its very great and manifest importance to society. The recent applications of the principles of Political Economy, by the enlightened Ministry of Great Britain, (to whom, whatever may be their faults, the civilized world owes much,) have been received with nearly unanimous approbation throughout the Kingdom, as well as in Parliament: and we seem to gain a glimpse of the dawn of a new day; and of peace on earth, and good will toward men. The wicked and destructive tendency of the old maxims which guided the mercantile, and the manufacturing systems, have been clearly developed; and few there are now in Great Britain, who will not readily acknowledge, that men and nations gain in prosperity, in proportion as their neighbours gain also. That cutting the throats or devastating the property of those who

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would be our customers and consumers, are not the best means of enriching ourselves: and that a spendthrift government and a spendthrift individual, are public nuisances of the same kind, though in different degrees. The time also is fast approaching in Europe, when it will be thought there, as it is known here, *the government which is effective at the least expence to the people, is the best government.* I confess with infinite regret, that there are symptoms of our neglecting in practice, what we are so willing to acknowledge in theory: but the people are still sovereigns here; and I trust their good sense and encreasing information will be sufficient to stop the progress of practical error in this respect.

In drawing up this very brief outline of Political Economy, I have consulted what was likely to be useful in the country, and to the persons, where and to whom these Lectures were delivered. I have dwelt perhaps with needless amplification and repetition on truths that I deemed of peculiar importance. I have but slightly touched those questions which form what may be called the metaphysics of Political Economy. I am not writing for adepts in the study, but for young men who enter upon it without any previous knowledge of its objects or its uses. I have therefore been without scruple, and voluntarily guilty of repetitions, which to readers conversant with the subject, will seem objectionable. I am not writing for that class of readers: by and by the young men who will thank me for repetition now, will lay aside my book to study the more abstruse and nicer, but not more important questions treated by Malthus, Ricardo, and M'Culloch.

PREFACE.

In the first year of these Lectures, I made use of Mrs. Marcet's very neat compendium of Political Economy, in her published "Conversations" on that subject. Afterwards, of Mr. M·Vickar's republication of M·Culloch's "Outlines," to which he has added some very useful notes. I have now published my own views of the subject, and of some other topics connected with it, because I think my own Lectures have been better understood by the class to whom they were delivered, than the text books I employed. Those who wish to pursue the subject, would do well to peruse Adam Smith, Say, Malthus, Ricardo, M·Culloch and Mill. The last author has drawn up an excellent compend, which well deserves to be republished here. Mr. Cardozo of Charleston in his "Notes on Political Economy" has shewn himself profoundly acquainted with the nicer questions belonging to this Science, and has entitled himself to be read by those who wish to peruse Malthus and Ricardo with full advantage.

These Lectures, I trust, will be found useful under the circumstances that have dictated their composition and prompted their publication. Of this I leave the public to judge.

THOMAS COOPER, M. D.

July 1, 1826.

POLITICAL ECONOMY.



INTRODUCTORY CHAPTER

ON THE RISE AND PROGRESS OF

POLITICAL ECONOMY.

CHAP. I. PART I.

This is much the same in all its principles, with Domestic Economy. To acquire consideration and consequence in society—to enjoy our full proportion of the comforts of life—we must either inherit wealth from those who have labored to acquire it, or we must apply our labor and talents to acquire it for ourselves. There can be no consumption without production. Having earned property, we must know how to distribute it most prudently; what proportion of our annual earnings we can afford to consume or expend upon ourselves; and what proportion it is expedient to save and accumulate for the purpose of laying it out beneficially and productively, for those who come after us.

Political Economy, treats of the sources and acquisition of wealth: of its prudent distribution: of its consumption: and its accumulation. A nation like an individual, must practice and promote industry, and frugality, if the individuals who compose it, would live safely and comfortably at home, and be respected abroad. When the maxims of domestic economy, are expanded and magnified by their application to the concerns of a nation, they acquire an importance which is scarcely perceptible when applied to the comparatively trifling concerns of an individual. Of late years, the value of these maxims has been well perceived: for the misfortunes, and the mistakes of every government in Europe, have forced them into public notice; and by and by, the most ignorant part only of every civilized community, will doubt of their truth; or of the great utility of the science that treats of them, now termed Political Economy.

This is a science of modern date. Among the antients, we

find nothing but a few hints and suggestions of some of the truths appertaining to this branch of knowledge. It was very early known to nations as well as to individuals, that without the means of acquiring and accumulating what we call WEALTH, there were no means of emerging from a state of barbarism: none of the comforts and enjoyments of civilized life: no means of establishing national power and pre-eminence, or of gratifying the public taste. Taste, Knowledge, Literature, Population, Strength, and Security, are, and ever have been, the concomitants of national wealth.

In the early stages of society,* individuals attempted to amass wealth by plunder, and by slave labor. Are you pirates says Nestor to Telemachus, or Merchants? (Odys. L. 3.) The former vocation was by no means dishonorable. By and by the prædatory excursions of individuals were repressed, and nations only, deemed themselves entitled to seek wealth by conquest. This was the disposition cherished among the Greeks and Romans; and the riches of individuals in those nations, depended on the number of their slaves. Cicero denied that there could be any thing gentlemanlike in a shop; and deemed mercantile business even on an extended scale, only not very blameable. (De. Off. L 1 § 42,) *haud admodum vituperanda*. I know of no exceptions to this prejudice, furnished since Cicero's time, unless by the Hanse Towns, by Florence, Holland, Great Britain, and this country: even Napoleon I believe, was weak enough to speak of England as *une nation boutiquiere*.

So things continued till the time of what we call the dark ages. During this period, Europe was governed politically by the maxims of the feudal law, which was expressly invented and digested to regulate the distribution of conquered territory—and by monkish Christianity, which was adverse to the accumulation of wealth, unless in the hands of the clergy: and I think it must be acknowledged, that this powerful body of men, with all their faults, made a far more liberal and disinterested use of their accumulated riches, during the dark and middle ages, than we have since witnessed, in times when knowledge has been more extended.

During the middle ages, the quarrels of Princes and pow-

* I am indebted for the views of the subject here presented chiefly to Mr. McCulloch's Discourse on Political Economy, Edinb. 1824.

erful Barons with each other, occasioned such frequent demands for money which they knew not how to procure, that the corporations of free cities and burghs, grew up into consequence; partly from purchased privileges, and partly from the riches of the inhabitants, acquired by trade. Hence, commerce began to be better thought of, and this mode of acquiring riches came gradually into respect. Ever since the introduction of the precious metals as the measure of value in commodities offered for exchange, the respect paid to real wealth was by a metastasis universally adopted, associated with its representatives, gold and silver. Hence, the accumulation of these metals, was regarded as the hoarding of real riches, and the exportation of them was prohibited at an early day. A law to this purpose passed while Cicero was consul, (orat. pro Lucio Flacco § 28.) This ill founded prejudice in favor of accumulating and hoarding gold and silver, appears to have prevailed throughout Europe, until in England it was first broken through by the remonstrances of the East India Company who in 1600 obtained leave to export the limited sum of £ 30,000 sterling a year in coin to the East Indies, inasmuch as the goods therewith purchased, when resold in Europe brought a greater amount of the precious metals into the kingdom than was exported. The limitation was repealed in 1663. This ground of objection against the East India trade, was urged as early as Pliny the elder (hist. nat. Lib. 12 Chap. 18.) The political economists have driven this prejudice out of England, where no person of tolerable education entertains it; but in our own country, ignorant men both in Congress and out of it, are still found, who advocate the accumulation of the precious metals, regarding them not as they really are, the counters by which wealth is calculated, but as constituting in themselves riches, without regard to their use in facilitating commerce.

To this prejudice in favour of the precious metals, we chiefly owe what has been usually called, the *mercantile system*. Under this system long cherished in Europe, and by no means renounced in those parts where the principles of Political Economy are unattended to, the aim of Government is, to sell much and to buy little—to raise at home every product wanted for consumption—to exclude foreign competition—and to make the rest of the world, debtors. This aim was founded on

the silly fallacy of the Balance of Trade. It was supposed that whenever we sold to a greater amount than we bought, the balance must be paid not in commodities, but in coin. If therefore our exports amounted to a greater value than our imports, the difference would be paid in coin, and riches in the form of gold and silver money, would thus accumulate at home. The advocates of this System, were not aware that if all nations were to deal on this principle, there would be no circulation; that none will buy from us, unless we also buy from them—that money being of use only to facilitate the operations of Commerce, too much of it is a nuisance—that when more money exists in a nation than is necessary to supply the demands of its commerce, it is always exported to countries where it is more valuable because it is more scarce. They were not aware that commodities like waters find their level; or that the value of goods imported must exceed the value of exports, or the exporting nation will lose by the interchange. But of all this, more hereafter.

The *mercantile system*, its fallacies; and its imperfections, are now well understood in Great Britain, where no legislator ever confounds money with wealth, or talks of the balance of trade, unless in the annual nonsense of the Finance Reports. Of late years however, especially for near half a century past, the mercantile has given way to the *manufacturing system*; a system equally absurd and selfish, and equally jealous lest our neighbours should profit as well as ourselves. A system of monopoly, exclusive privilege, restriction, and prohibition: a system, which professes to make its gain, by depressing as far as possible the efforts of every other nation who using its natural advantages, seeks to make profit by commerce and manufacture as well as ourselves. The loss to Europe by the prevalence of these two systems has been incalculable. Three fourths at least of all the expense which Great Britain has been at in her wars for these 150 years past, must be put down to the account of these systems; for excepting perhaps her wars with Bonaparte in their commencement, the rest of her quarrels have been mercantile; arising from a base and selfish jealousy of her neighbours participating in the benefits which Great Britain wished to monopolize.

To such a height was the monopolizing spirit of the manufacturing system carried in England, even at an early day, that

a general non importation law was passed in favour of the home monopoly in 1463, 3Ed. 4 ch 4. At length the classes of manufacturers and monopolists having interfered with each other to a degree that even themselves felt severely, a general petition against monopolists was pressed and passed in 1624; but the evil was only partially remedied; the exclusive privilege of all bodies corporate being saved from its operation. The creating of Corporations and granting of monopolies, was considered in that country, as part of the royal prerogative.

Notwithstanding every man of reasonable information well knows that the national debt of England must be charged chiefly to the account of the mercantile and manufacturing systems, the mischiefs of those systems were gradually developed in the writings of the political economists only: writings which were never studied by the statesmen who had the government of the affairs of that country. From Lord Chatham the father, to Wm. Pitt the son, every minister of Great Britain, has bent the whole force of his talents towards parliamentary declamation on party politics. Their opponents, from Ld. Holland the father, to Charles Fox the son, and his coadjutors, took the same course. Not a man in the ministry or in the opposition, during this long period, ever appear to have studied or understood one syllable of the important subjects treated by the French Economists, or subsequently by Adam Smith and his successors in the same path. Of almost every useful maxim really conducive to the national prosperity, all these contending politicians were profoundly ignorant. Even Mr. Ch. Fox, the most talented and liberal minded among them, confessed he had no taste for the disquisitions in Adam Smith's wealth of nations. The selfish and party character, the deplorable lack of useful knowledge that pervades the interminable volumes of the parliamentary debates of the British legislature, is really melancholy to a modern reader; who deplores the misapplication of so much talent to purposes and subjects for the most part so little worthy of the exertion. It was not till the important lessons of the last thirty years, and the powerful disquisitions of Malthus and Ricardo, that the great truths of Political Economy, reached the understandings of the governors of that country. Luckily for Great Britain, Lord Liverpool Mr. Huskisson, and Mr. Canning,

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have not been above their business: and now for the first time in the British annals, can it be said, that that fine country is under the guidance of men who have the knowledge to understand, and the boldness to practice the maxims most conducive to national prosperity.

The leading features of the mercantile and manufacturing systems are the same: they are both founded on selfish monopoly: nor can one syllable be advanced in opposition to Mr. Storck's reflections upon them in his course of political economy, v. 1, p. 122, first published in French at Petersburg, and which well deserves to be translated into other languages. "It is no exaggeration to affirm, that there are very few practical errors that have produced more mischief than the *mercantile system*. Armed with power, it has commanded and forbidden where it ought only to have protected. The regulating mania which it has inspired, has tormented industry a thousand ways, to force it from its natural channels. It has made each nation regard the welfare of its neighbors as incompatible with its own. Hence the reciprocal desire of injuring and impoverishing each other; and hence that spirit of commercial rivalry, which has been the immediate or remote cause of the greater number of modern wars. It is this system, which has stimulated nations to employ force or cunning to extort commercial treaties, productive of no real advantage to themselves, from the weakness or ignorance of others. It has formed colonies, that the mother country might enjoy the monopoly of the trade, and force them to resort exclusively to her markets. In short, where this system has been productive of the *least* injury, it has retarded the progress of national prosperity, at home and abroad. Every where it has deluged the earth with blood; and it has depopulated and ruined some of those very countries whose power and opulence it was supposed it would have carried to the highest pitch."

The first book, according to Mr. McCulloch, (*Discourse on the Rise and Progress of Political Economy*, Edinb. 1824, page 37,) which contained a true and liberal exposition of some of the modern principles of political economy, was the treatise of Sir Dudley North, in 1691, entitled "*Discourses on Trade*, principally directed to the cases of interest, coinage, clipping and increase of money." But this attracted little notice; and

there is reason to believe, was designedly suppressed. Nothing of importance appeared in England from that time 'till the publication of Sir James Steuart's Principles of Political Economy, about the year 1768, which was completely superceded by Dr. Adam Smith's Wealth of Nations, in 1776. Political Economy was first treated as a science by the French "Economists;" at the head of whom was Dr. Francois Quesnay, Physician to Louis 14th; who was born in 1694, and died at Versailles in 1774, at the age of 80. In 1758 he published his *Tableau Economique, et maximes generales du Gouvernement Economique*: 4to Versailles. Colbert, had been the patron of the mercantile and manufacturing systems. Quesnay, in the course of investigating the source and origin of national wealth, came to the conclusion, that the merchant and manufacturer added no new value to the articles of raw material they transported, or whose form they changed, beyond the expenses incurred in producing this change of place, or change of form. Whereas the Earth (indisputably the great source of wealth) not only returned the wages of the labourer, and the profit of the capital employed, but a further surplus in the form of Rent; arising from the aid furnished by the powers of nature, in bringing to perfection the plants and seeds sown in it. Agriculture therefore, did more than change the form of the material employed; it produced a new and useful material; as when one bushel of grain sown, furnished twenty bushels at the harvest. It did more than repay wages and profits of capital, for it produced also, a surplus constituting Rent. The earth therefore, under the operations of the husbandman, was the only source whence new and additional substances, the bases of individual and national wealth, could be produced. This new and additional product according to him, was the cause why the earth besides returning the expenses laid out upon it, yielded a Rent. Hence, he maintained that this new surplus furnished by cultivating the earth, and the Rent founded on it, were the only foundation of wealth, whether to the individual or to the nation; for commerce and manufactures were exclusively employed in furnishing, not a new product, but a change of place, or a change of form in that material which previously existed. In pursuance of these ideas, he held that all taxes except a land tax might be abolished, and the whole system of finance simplified by resorting at

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once to the only occupation that furnished real wealth and would bear taxation. This system divided the nation into *Agriculturists* or producers of wealth, *Proprietors* of the Land from whence by cultivation it was produced, and *non-productive consumers*, including all merchants, manufacturers, salaried officers, servants, &c. He contended strenuously for perfect freedom of employment among all classes, as the only means of encouraging that mutual competition which would lead every man to employ his faculties with the most energy, and most effect, to the mutual benefit of all classes. This system of Dr. Quesnay got rid at once of all the evils of the mercantile and manufacturing system. It was defective, chiefly in ranking the merchant and the manufacturer among the non producers, seeing that they assuredly add new value by their operations to the commodity they are employed about; in which also they are as much assisted by the natural agents, wind, water, magnetism, heat, steam, &c. as the agriculturist is; so that if they do not produce a new raw material, they do more, they add a new value to that which had none before, and convert an useless substance into an useful one. Moreover, if the merchant and manufacturer are as well paid for their labour, skill, and capital as the agriculturist, as the case really is, a land tax as a substitute for every other, would be a very unequal and unjust impost. Nor were the Economists less mistaken in taking for granted that all wealth consisted in material substances: wealth consists in the value given to—the utility conferred upon material substances by human skill and labor: a mahogany tree in the woods of the bay of Campeachy has no value: it must undergo the operations of the man who cuts it down, of the merchant who transports it, and of the cabinet maker who converts it into furniture, before it can become useful, and possess exchangeable value.

Dr. Quesnay was followed in the same career, by the Marquis Mirabeau the elder, M. Merciere de la Riviere, M. Du Pont Nemours, M. Turgot, and his biographer Condorcet. They did much to introduce the genuine principles of free trade, and the liberal notions that characterize the modern science of Political Economy.

From this time to the publication of Dr. Adam Smith's *WEALTH OF NATIONS* in 1776, nothing appears to have been done

worth detailed notice in addition to the labours of the Economists. But this book created an era in the science; and has contributed more than any other to make known the principles of political economy, and to impress on the public mind the importance that ought to be attached to them. He has clearly shewn, that human labor employed in conferring utility or value on some material object, is the sole foundation of all wealth, individual and national. That utility or value, is conferred by the operations of the merchant and manufacturer as well as the agriculturist. That the propensity to accumulate, in order to better the situation of ourselves and our families, is a natural propensity; by which the majority of mankind are governed, and which is the source of all the permanent riches now existing, and which must continue to operate while human nature continues the same. He has shewn the prodigious advantage arising from the division of labour.* He has explained the operation of Capital. He has proved that wealth does not consist in gold and silver, but in the abundance of valuable products, fitted by their consumption to satisfy human wants. “He has shewn that it is in every case
 “ sound policy to leave individuals to pursue their own interest
 “ in their own way; that in prosecuting branches of industry
 “ advantageous to themselves; they necessarily prosecute such
 “ as are at the same time advantageous to the public; and that
 “ every regulation intended to force industry into particular
 “ channels, or to determine the species of commercial inter-
 “ course to be carried on between distant countries is impolitic
 “ and pernicious—injurious to the rights of individuals—and
 “ adverse to the progress of *real* opulence and lasting prosperi-
 “ ty.” (M'Culloch's Discourse &c. p. 54.) What a contrast to these doctrines, are the notions that prevailed in the Congress of 1824–5, and dictated the disgraceful act called the Tariff Law!

All these points are made out by Dr. Smith, with a clearness of reasoning that leaves no room for doubt. Some of them had been seen by preceding writers, but they looked at them as through a glass darkly, without seeing at the same time their bearings: so that “the Wealth of nations” is deservedly considered as the first clear developement of the principles of the science in question.

* Xenophon had observed this, also.

Dr. Smith appears to have been mistaken in the following doctrines which he has advocated.

1. That agriculture is the most beneficial of all employments. We now know that whatever employment is most beneficial to the individual, is most beneficial to the community. If the merchant or manufacturer, is as well paid for his labour, skill, and capital as the agriculturist, he is as usefully employed. A nation or community consists essentially of the individuals who compose it.

2. He thought that all wealth consisted in some value added to and fixed in a material object. But the merchant who brings a raw material from a place where it is common, to a place where it is scarce, is of equal use to the community as the agriculturist or manufacturer. So, a retailer who enables the poor to lay out their small sum of money desirably and advantageously to themselves, is of use in the community equal to his gains. Agents for the economical and convenient distribution of the wealth produced, are nearly as necessary as the wealth itself.

3. He appears to be mistaken in ascribing to corn (wheat) a fixedness of value that does not belong to it. On examination, his opinions do not appear fully supported by the history of the corn market.

4. He was mistaken in supposing that Rent entered as a component part of price: it is now settled that in agriculture, price is independent of rent; which is compensated to the tenant by the superior natural advantages of the land which he hires. Price is the same whether a man pays much or little, any or no rent for the land he farms.

5. He was mistaken in supposing prices fluctuated with the fluctuation of wages. The elements of price, are wages and profits. The fluctuation of one of these operates on the other, but not on price, as we shall see hereafter.

6. Nor does he appear to have clearly understood the nature of exchangeable value, which as Mr. Ricardo has shewn depends *permanently* on the cost of bringing the commodity to market; for if this were not fully repaid, it would not be the interest of the producer to furnish it. The vibrations of demand and supply may occasion temporary variations in price, but this is ultimately regulated by prime cost. But these truths would not have been discussed, if Dr. Ad. Smith had not occa-

sioned their discussion; and by common consent he is the father of the science of Political Economy.

The next step in the advancement of this Science was the Essay on the principle of Population of Mr. Malthus, first published in 1798, in a pamphlet form: the author has since extended it to two large volumes in 8vo. The intent of this Essay was to shew: 1st. That Population depends on subsistence; men and women cannot be raised unless they have food to eat. 2nd. That plenty of food encreases population by enabling marriages to take place, and children to be raised. All this had been observed before by M. *Herbert* in his *Essai sur la police des grains* 1755: By Mr. *Wallace* in his treatise on the numbers of mankind: by Dr. *Darwin* in his *Botanic Garden*; and by Mr. *Townsend* in his *Dissertation on the Poor Laws* 1786. 3d. That population had a natural and inevitable tendency to overreach subsistence; since the human race, where subsistence was easily obtained, had a tendency to encrease in a ratio approaching a geometrical ratio; while the increase of food could not proceed beyond an arithmetical ratio; and even in that case; had its limits. Hence 4th. Instead of encouraging population, which nowhere and at no time needed it, the wisest course for the sake of the poor as well as the rich, was rather to throw obstacles in its way: it being evident that the poor would live better, when subsistence was plentiful, and labourers scarce and in demand. 5th. That in the usual course of things, this excess of population when not checked by prudence in marrying on the part of the poor, was checked by war, by disease, by the difficulty of raising a family when wages were low, and by all the evils attendant on encreased poverty among the poor. It is not too much to reckon excess of population among the causes of Plague, Pestilence and Famine. By some or all of these checks to population, the numbers of the people are gradually brought down to the level of the means of subsisting them. 6th. That all poor laws and charitable contributions for the relief of the poor, were injudicious, as they tended to keep up that excess of population which gave origin to the reason for charity: and every such charitable contribution was an injury to the mass of the industrious poor, by encreasing the competitors for subsistence, of which the comparative scarcity produced the evil. 7th. Hence, the exponent of a prosperous and happy state of society, was

wages rather high than low, and rather on the increase than the decline. 8th. Hence also, the most efficient remedy for the evils of poverty, and the only effectual substitute for poor laws, rested with the poor themselves, in avoiding marriage, when the rate of wages, or their savings already made, would not enable the married people to bring up a family in sufficient plenty to keep off want and disease. 9th. Hence also it followed, that as subsistence accompanied employment, and employment depended on demand, and demand on capital, the population of a country must be regulated by the Capital it has to expend. 10th. Frugality therefore, and accumulation, are public virtues; the well being of the poor who now exist, and the prosperous encrease of their numbers, depending on the capital thus saved. 11th. Hence also, all the money expended in poor rates, and charitable contributions operates only to the increase of poverty, misery, disease, and vice; and would afford more effectual relief to the poor, if saved, accumulated, and expended in the form of Capital which would furnish employment, instead of fostering thoughtlessness, idleness, imposition, and dissipation. Money given in Charity therefore, is for the most part, worse than thrown away.

Dr. Malthus has incurred much obloquy for these harsh doctrines; but their manifest truth and great importance have at length produced conviction in the minds of the greater number of those who have turned their attention to political economy; and they may now be considered as settled.

The works of M. Storch, of Petersburg; of M. Ganilh; of M. Sismondi; but above all of M. Say, have contributed to throw light on this science, among the Scavans of the continent. The treatise of M. Say has been republished in this country; nor is it superceeded by any work on the subject that I am acquainted with. His exposition of the doctrine of values; his dissertation on the impolicy of mercantile and manufacturing restrictions and prohibitions; and his refutation of the notion that a market can be glutted* with commodities, are extremely well worth reading by him who has read every other book on the subject. The senator Garnier also by his notes to his transla-

(*) See also *Revue Encyclopedique* vol. 22 p. 264 to 293 and vol. 23 p. 18 to 31. M. Say however wisely limits his utility of indefinite production, to cases where demand accompanies it.

tion and edition of Dr. A. Smith's *wealth of nations*, has contributed greatly to the prevalence abroad of this branch of Knowledge; of which I observe a very able man, M. Hauterive, has just published in France, the *Elements*. In fact Political Economy, is gradually attracting the attention of able men, not in Great Britain only, but throughout Europe. The useful manual on political economy by the Senator Destrut Tracy has been translated and published under the auspices of Mr. Jefferson; so was his commentary on Montesquieu.

In Great Britain during this period, the most important work published was "*The principles of Political Economy and Taxation*," by Mr. Ricardo, 1817, of which an American edition was published at Georgetown by Milligan 1819. This very important work has given a new face to many questions of political economy, that were not correctly settled previously.

1st. The exchangeable value of commodities in the market was supposed to fluctuate with the fluctuations in Rent, profits, and wages—with the fluctuations in demand and supply—and with the competition of Capital seeking for employment. Mr. Ricardo has shewn, that whether in the early or in the latter stages of Society, the exchangeable value of any useful commodity must permanently be measured by, and depend on the quantity of labour required to produce it. Even Capital is ultimately resolveable into accumulated labor. 2nd. He has shewn after Dr. Malthus and Mr. West, that Rent is no component part of price: for the price of grain is the same in the market, whether produced from land that pays no rent owing to its sterility, or from land that pays the highest. The extra quantity of produce on first rate land, repays the farmer who rents it. 3d. He has shewn, that as the wealth of every country, is divided between the proprietor of the land, the owner of the capital, and the labourer—that as rent is no component part of price—price solely depends on wages and profits; these being the only elements of price. Hence, as wages rise, profits fall; and vice versa. 4th. He has clearly distinguished between Value and Riches, usually confounded. 5th. He has more distinctly than any preceding writer, applied the general doctrines of political economy to the theory of taxation.

The positions thus laid down by Mr. Ricardo, have been followed by Messrs. McCulloch and Mill; and constitute the

difference between the old school of Dr. Adam Smith, and the new school of which these gentlemen seem to be at the head. Mr. M'Culloch's *Outlines of Political Economy*, first published in the supplement to the *Edinburgh Encyclopædia*, has lately been re-published at New-York, at the expence of James Wadsworth, Esq. of the Genesee County, with some very useful notes by the Rev. Mr. M'Vickar, and which I think the best text book that at present I can recommend. The treatise on *Political Economy*, 2nd. edit. by Jas. Mill, Esq. (a master piece of close and logical reasoning) has not yet been re-published among us.

These discussions of the great questions of *Political Economy*, and the agitation of the difficulties to which the *Bullion question* and the *Corn Laws* have given rise, have given an intense interest to the doctrines of *Political Economy*, and have made every man of good sense and competent information in Great Britain turn his mind to these subjects. The great truths of this Science, have forced their way into the ministerial cabinet of that country, and convinced the able men at the head of the present administration, that they must (as speedily as prudence will admit) disentangle the perplexed and vexatious system of monopolies, restrictions, and prohibitions in which the mercantile interest and the manufacturing interest have involved the commerce of that country. Luckily, in the struggle for monopoly; each of these classes has so preyed upon the other, that they have become weary of, and disgusted with their own efforts to make the great body of the people—the consumers, the dupes of their representations. Sensible men of all parties are now satisfied that their best interests will be promoted, by fair and honest competition; and that there are more honorable roads to successful enterprize, than those that depend on deceiving your neighbors at home, or impoverishing your neighbors abroad. Lord Liverpool, Mr. Canning, and Mr. Huskisson have fully understood this; and they have fairly entitled themselves to the praise of being the most enlightened administration, Great Britain has ever had. Well would it be for that country, if the complicated and jarring interests of rival monopolists who fatten on the toil of the people, would permit these gentlemen to put their plans for the public good, more fully and more speedily into execution than they can yet

venture upon. In mean time every honest man will rejoice at the downfall of the two systems—the prostration of these merciless and bloody monopolies, that have carried war and desolation into every quarter of the Globe, and have made that island in particular the scourge of mankind. It is to be hoped their day will soon be over throughout Europe, owing to the increased attention now paid to the science in question; for truth must ultimately, however slowly, produce conviction. Lectureships on Political Economy, are now instituted in almost every university of Europe. In England, and Scotland, no well informed gentleman, is permitted to be ignorant of the labours of Adam Smith, Malthus, and Ricardo, any more than of Shakspeare, Milton, or Pope.

Some writers on Political Economy have intermingled politics with the first mentioned science. The first needs an elementary treatise not more than the second; but politics can be fully discussed no where in Europe. It may *perhaps*, in this country, but there are still some prejudices to be overcome relating to particular parts of the Theory of Politics even here. It is high time however, to meet them; for nothing but uncontrolled, unlimited, unpunished discussion of public questions can set truth on a firm basis, whether the subject be political, legal, or theological. Monarchy and the Hierarchy, have too long and too well succeeded in persuading the people that it is their interest to be kept in the dark. There is not an axiom in Euclid better settled than this: “all opposition to free and public discussion, arises from conscious weakness and fear of the result.” It is not Truth, but Imposture that dreads the light. Those who gain a subsistence by Error, will always raise a violent outcry against the writer who attacks it; whether the error in question be political or theological. The great importance of this maxim is only now beginning to be felt.

Politics it must be remembered, are not essentially a part of Political Economy. *Politics* is the name of that science, which developes the institutions best calculated for national defence and protection without, and for the establishment and maintainance of social order within a community: and it examines the powers necessary to be conceded, and the checks and limitations necessary to be applied to each branch of the apparatus of government; in order to produce with the smallest

defalcation of personal liberty, and at the smallest expense, the greatest degree of security for the persons and properties of the citizens who compose the nation. The legitimate aim of all Politics is, the greatest good of the greatest number.

Political Economy, is that science which developes the sources, the distribution, the accumulation, and the consumption of national wealth. It shews in what way the industry of a nation (that is of the collection of individuals, so termed when united in a political community) may be used without being squandered; and so managed as to produce the most beneficial effects on the means of subsistence, the multiplying and diffusing of reasonable gratifications, the salutary increase of population, and the general promotion of public prosperity. It exhibits the real and natural bearings and connection between agriculture, commerce, manufactures, and the arts. It shews the immense waste of expenditure, the obstructions thrown in the way of progressive accumulation, and the needless misery that has arisen from the mischievous interference of ignorant statesmen, unacquainted with the principles of this science. It proves beyond a doubt, the dangerous fallacy of many maxims heretofore, and even at this day adopted as true, and acted on as beneficial. Such among others, are:

That wealth consists in money or coin.

That what one nation gains by commerce or manufactures, another loses.

That national superiority, depends on successfully repressing the industry, and impoverishing the resources of other nations.

That it is better to make at home every thing we want, rather than permit other nations to profit by selling to us.

That our constant aim should be to sell to other nations, but never to buy from them.

That national prosperity is to be judged of by the Balance of Trade as represented by Custom house entries.

That no trade is to be considered as beneficial, unless it appears to afford a balance in our favor; that the commerce which does not exhibit such a balance, should be repressed, although the individuals concerned in it are gainers by it.

That statesmen and legislators know better how to direct the various branches of industry, and the employment of capital,

Can the individuals who draw their subsistence from employing it to the most advantage.

That commerce and manufactures may be aided and beneficially regulated by artificial restrictions, limitations, and modes of taxation.

That in the arithmetic of taxation two and two always make four.

That it is in many cases right and expedient to make the successful and industrious part of the community, contribute to the losses of the speculative and imprudent portion; with a view to distant benefit, and for the good of posterity.

That for this laudable purpose, the purse of a planter may fairly be emptied into the pocket of a manufacturer.

That a country may be enriched, by compelling the people to purchase during an indefinite length of time, inferior commodities at exorbitant prices.

That every infant manufacture ought to be brought to maturity at the expense of the consumers; and at whatever cost; for the benefit of posterity.

That capitals may be changed in their direction, and forced by governmental regulations out of their natural channels, with little injury to individual, and great advantage to national wealth.

That population is always and by all means to be encouraged.

That poor laws are beneficial to the poor, and necessary to alleviate the amount of poverty

That luxury and profuse expenditure by encouraging industry are beneficial to a country; and frugality the reverse.

That no taxes can impoverish a nation if they be spent at home.

That high taxes are not injurious, because they urge to great exertion; and when spent at home, they foster industry of all kinds.

That all such governmental expenditures, operate merely like taking money out of one hand to put into the other.*

* I am not surprised to find this sentiment advocated by Montesquieu, (B. 7 ch. 4,) or by Sir Rob. Peel. (The national debt a national blessing) But I am surprised to find it in the Elements of Political Economy by the Senator Garnier, who ought to have learned better from Dr. Adam Smith. *Principes d'économie politique*, Paris 1796, par M. Garnier, XII. XIII. 130. 240.

That a national debt is a national blessing; and paper money synonymous with wealth.

That Colonies are advantageous to the mother country by double monopoly they afford.

That chartered companies, exclusive privileges, and monopolies, are beneficial institutions for the promotion of commerce and manufactures.

That national splendor is a sure sign of national wealth and national happiness.

These maxims and some others of a similar character, have been urged and acted on for ages, in every civilized country of Europe. Nor is it matter of surprize, that they should be fashionable in theory, and prevalent in practice, so much do they harmonize with the views and wishes of governments and ministers, whose motto every where has been *ampliare jurisdictionem*, to stretch to the utmost, the bounds of entrusted or usurped authority.

These are the maxims that have contributed to the splendor of courts, the extension of patronage and power, and the poverty of the people: that have unnerved the strength of nations: rolled back the progressing tide of public prosperity: and under the penalty of miserable lives and premature deaths, have forbidden mankind to encrease and multiply and replenish the earth! These are the maxims, whose baneful operation has compelled us to acknowledge, that in the present state of things, vice, misery, and disease—war, plague, pestilence, and famine—like the storm, the hurricane, and the lightening blast of the natural world, are to be ranked among the salutary provisions of human existence; and the crimes and follies of rulers, to be ascribed to the economy of providence, and the wisdom of the deity! These are the maxims still prevalent in almost every portion even of the civilized world; and adopted in great part by many among the leading politicians of our own country. I hope however to make it appear, that whether on a small or a great scale, wisdom may be permitted to suggest, on the commencement of every undertaking that it is worth while to sit down and count the cost. To me it is evident, that the permanent and regular increase of human population and human comfort, is founded on the gradual saving and accumulation of *productive capital* as its only basis: that extravagance in private

or public concerns, assuredly leads to a proportional defalcation of human happiness: and that the Government or the Man, who permits the expenditure of revenue needlessly to encroach and break in upon capital, gives origin to the most effectual of all obstacles to national population; and contributes to the necessity of vice, famine, disease, and death. This is not the time or place to develope these ideas; but they will require no developement to those who know, that there can be no regular supply of employment and food without capital; and who are aware how fruitful in conclusions of the very last importance this position will prove.

Much difficulty, and deplorable mistake has arisen on the subject of Political Economy, from the propensity that has prevailed, of considering a nation as some existing intelligent being, distinct from the individuals who compose it; and possessing properties belonging to no individual who is a member of it. We seem to think that national morality is a different thing from individual morality, and dependant upon principles quite dissimilar; and that maxims of *Political Economy* have nothing in common with *Private Economy*. Hence the moral entity—the grammatical being called a NATION, has been clothed in attributes that have no real existence except in the imagination of those who metamorphose a word into a thing; and convert a mere grammatical contrivance, into an existing and intelligent being. It is of great importance that we should be aware of this mistake: that we should consider abstract terms, as names; invented to avoid limitation, description, and periphrasis—grammatical contrivances and no more: just as we use the signs and letters of algebra to reason with, instead of the more complex numbers they represent.

I suspect it will be very difficult for us, to discover a rule of morality obligatory on individuals, that would not apply to nations, considered as individuals; or any maxim of political economy, that would not be equally undeniable as a rule of private and domestic economy; and vice versa. The more effectually we can discard mystery, from this and every other subject, the more intelligible will it become; and the less easy will it be for designing men of any description, to prey upon the credulity of mankind. It is high time that the language and the dictates of common sense, founded on propositions easy to

be understood, and easy to be proved, should take place of the jargon by which our understandings have been so long cheated.

Those maxims of human conduct that are best calculated to promote a man's highest and most permanent happiness on the whole of his existence, are the only maxims of conduct obligatory on individuals. There is no other rational basis of moral obligation; for what can be put in competition with the greatest sum of happiness upon the whole of a man's existence? There are no rules of morality—there is no such thing as virtue or vice, but what originate from our connection with other creatures, whose happiness may in some degree be affected by our conduct. What rules of morality can affect a man condemned to pass his days alone on an uninhabited island, or in solitary confinement within the walls of a prison? In like manner, those rules of conduct which are best calculated to promote the mutual happiness of nations in their intercourse with each other as individuals, constitute the only maxims of the law of nations obligatory on all, because calculated for the permanent benefit of all. So, in the domestic concerns of a nation, those rules and maxims of conduct which upon the whole are best calculated to promote the permanent happiness of any nation, that is of the individuals who compose it, in the capacity of members of a political community, are the laws really obligatory upon that nation; and the force of the nation is properly exerted to carry them into effect when enacted, against any individual who may contravene them. Always taking for granted, that those laws are enacted not for the benefit of rulers, but with a view to promote the greatest good of the greatest number of citizens composing the community. This then is the true origin of moral obligation, whether applied to national aggregates of individuals, or to any individual of the number. For what stronger or higher obligation can be suggested, than to pursue and practice systematically those rules of conduct which can most effectually and permanently secure our own happiness upon the whole? What higher or different motive can we have? It will be found on examination that the particular rules and maxims comprehended in this general expression of them, are the same, whether applied to the conduct of one individual or ten; of ten, or ten thousand, or ten millions.

Much of the mistakes in political economy has arisen from motives less exceptionable than mere ignorance. From the profligate extravagance, ambition, or favoritism of persons in power; but not a little from the propensity of all persons in power, of governing too much. Make a man a statesman or a legislator, whom experience and reflection have not yet made a cautious man and diffident of himself, he takes for granted that he is not only invested with the office, but intuitively also with all the knowledge necessary to conduct it. He dispenses in his own case, with the slow and painful process of acquiring knowledge by much reading and reflection; by patient and gradual accumulation. He is apt to interfere in concerns wherein he has no knowledge or experience, from an irresistible inclination to exercise at all hazards the power conferred on him. It is not eloquence that can teach a legislator, or enable him to inform others, when he ought to intermeddle and when he ought not. I may safely refer to the public lives of two men of admirable talent as parliamentary orators, in illustration and justification of this remark, Mr. W. Pitt and his antagonist Mr. C. Fox. Two men profoundly ignorant of the true interests of their country in all points where the science we are now treating of was concerned, and whose public acts as ministers, were unhappily well calculated to shew it. In that country and in this, eloquence has long usurped the place of knowledge. In England the public are gradually overcoming this popular but most mischievous prejudice. They have at length also, arrived at the conclusion, that all legislative restrictions, prohibitions, encouragements and directions, applied to commerce or manufacture, have proceeded from ignorant and intermeddling men who know not that the motive of self interest, is more efficacious than all the laws that can be enacted; and that persons whose time and intellect are intensely devoted to the pursuit of their own good, by means of those occupations that furnish them with subsistence, are better judges how to conduct their own business, than legislators who have neither the same motives, the same knowledge, or the same exciting interest as themselves. I sincerely hope the day is not far distant when these sentiments will prevail in our own country also. In fact, a legislator might as well direct the analysis of the chemist, or the manipulations of the pin-maker, as the pursuits of the

planter, the manufacturer, or the merchant. From the time of *Colbert* to the present time, every fact has tended to establish the reasonableness of the request, *laissez nous faire*; let us manage our own business.*

The mistakes that have accumulated on this subject among statesmen and legislators with such tremendous effect on the happiness of the people, require that we should begin at the very beginning of this branch of modern knowledge, to enable us finally to set them in their true point of view. We must analyze the words we use, and the ideas that enter as elements into our maxims and assertions before we can think clearly and therefore truly on the subject. We must do as the Chemists and Mathematicians do; we must separate each simple substance of the compound, and each function of the problem to be solved; we must convert popular words and phrases into accurate and technical expressions, and use them in a determinate sense.

* It is melancholy to reflect that while the parliament of Great Britain in 1824, 1825, were busied in attempting to disentangle the commerce of that country from the obstacles which the regulating laws had thrown in its way, our Congress (led by Mr. Clay, since made Secretary of State,) were successfully endeavoring to throw all those chains upon free trade which Great Britain had cast off; and actually passed the *Tariff bill*, professedly in favour of home monopoly. Mr. Rush our ambassador at the court of Great Britain and resident there during the discussions in Parliament which so fully demonstrated the absurdity of the laws by which the consumers were taxed in favor of the monopolists, returned to this country in the summer of 1825, as Secretary of the Treasury: and in his first report Dec. 1825, the following path is marked out for Congress to pursue. He (Mr. Rush,) ranks among the highest ends of legislation, "the right and the duty of a government to give perfection to the industry of a nation, to draw out its obvious resources, to seek constantly for new ones, to augment the number and variety of occupations for its inhabitants, to hold out to every degree of labor, and to every modification of skill, its appropriate object and inducement. To organize the whole labor of a country, to entice into the widest ranges, its mechanical and intellectual capabilities instead of suffering them to slumber."

This would indeed give to mischievous meddling, ample space and verge enough! If there be any truth in the doctrines of political economy, no government whatever ought to interfere in support of any one of these recommendations, because no government has knowledge enough to interfere in these objects without doing mischief. Every individual in the nation better knows how to employ his industry, skill, and capital to the best advantage for himself and his family, than Mr. Adams, Mr. Clay, and Mr. Rush can tell him. The nation is composed of individuals possessing this competent knowledge: who, if they manage best for themselves, must manage best for the community. Such doctrines as those which are taught by Mr. Clay and Mr. Rush, shew how very far these members of the administration are behind the knowledge of the day.

Experience has long taught us, that we can in no other way arrive at accuracy in any science. Political Economy requires this; and those who really wish to understand the subject, must be content to undergo this apparent drudgery. Inaccurate knowledge, is often worse than no knowledge; nor is there any branch of knowledge whose elements do not require labour, patience, and perseverance. Those who are willing to submit to this tax in the science of Political Economy, will find their time, their patience, and their perseverance, amply repaid. I know of no branch of knowledge more directly bearing on the great concerns of human life, or the efficient means of human happiness; nor any that is likely to stand higher in public estimation, or to be considered as more necessary in the education of a gentleman, and a man of the world. The thinking part of the public are becoming intensely alive to it.

Man they say is an imitative animal. I have not observed the truth of this fact. The almost imperceptible, the snail-paced rapidity, with which the most obvious truths, and the most useful practices, are propagated in the family of mankind, seems to forbid our entertaining this opinion. Many and great improvements in the comforts and conveniences of life have been adopted within the last hundred years of European experience, but their progress has been so slow and confined, and such a mass of antiquated error still remains, that it is doubtful whether we dare assert that human happiness among the great mass of the people and upon the whole, has received any substantial amelioration within that period. Look through Europe, and contemplate the enormous abuses in political government,—the aiding and abetting evils of a still more tyrannical, and fraudulent Priesthood—and the the miseries so frequently attendant upon the manufacturing system—and we shall have great reason to doubt the substantial character of the sum of improvement in human happiness, since the close of what are usually called the dark ages. This doubt will extend to Spain, Portugal, Italy, Poland, Germany, if not to France. As Voltaire says, *On arrive tard a tout ce qui est bon.* The British Isles, and the American Continent, probably form exceptions. But instances of greater, or less importance, within our usual means of observation, occur to me in illustration of the opinion that changes for the better move but slowly.

Reflect on the length of time that has been occupied, the innumerable discussions, the many dreadful wars of long duration, the prodigious mass of human misery that has been produced during the attempts to establish this plain principle of common sense, that *every political community or nation, ought to be considered as instituted for the good and the benefit of the MANY who compose it, and not of the FEW who govern it.*

Before this position be yet fully established and acted upon in Europe, Europe must be again drenched in blood.

We are the descendants of Englishmen; and English art and science *can* be imported here, if our law makers in Congress would not obstruct the introduction of knowledge by taxing its arrival. Let any traveller look over the agriculture of our parent island; not a fallow is to be seen. Examine the agriculture of our own country, and it is hardly an exaggeration to say, that almost as many weeds are raised in our cultivated lands, as ears of wheat.

Of two hundred blast furnaces in Great Britain, all I believe are worked by the economical fuel of the coak of stone coal. Not a wood furnace now remains. On the continent of America, and on the continent of Europe, this mineral fuel has not yet been applied to the smelting of Iron ore; notwithstanding the abundance of the material, and 150 years example of British practice, which has distributed their hardware to every corner of the habitable globe. In our own country, we charitably compensate the want of energy, and want of skill of the manufacturer, by taxing the consumer.

Even in England, the fourteen years term of Mr. Watts' patent for his steam engine, passed over, before his expenses were nearly repaid; and with much exertion, a parliamentary extension of fourteen years more, was obtained for that admirable machine.

Step over the imaginary line of the 42nd degree of north latitude, that separates New York state from Pennsylvania. A farmer who applies to purchase land a mile to the north of that line, expects to realize a profit by clearing it, from selling the ashes of the burnt logs. Hence, in every village of that part of New York state, there is a potash manufactory furnishing one of the most profitable, and one of the most useful articles of export from that state. Travel a mile south of that line. The

thick woods on a Pennsylvania tract, that would make the eyes of a New York cultivator sparkle, are made a formal objection to the purchase or the price: and not a potash manufactory met my eye from the 42nd degree of north latitude, to the 34th. Scarcely a barrel of ashes now goes from Pennsylvania.

Half a century ago, the confederated states of North America, set on foot their grand experiment of conducting their domestic and foreign policy, without the aid of an established hierarchy, without bishops, without nobles, without kings. During half a century of sufficient vicissitude of war and peace, that experiment has proceeded, with results as satisfactory as the reasonable expectations of its most ardent well-wishers could anticipate. It has proceeded with all its details and all its effects, open to the scrutiny of the rest of the world. Ours is not a government of secrets: publicity is among its essential characters. Look around from the proud eminence on which you stand: contemplate the civilized nations of the *eastern* world. Where are the symptoms discernable even of distant imitation? We are indeed regarded with the stare of astonishment, and our situation calls forth involuntary applause. Who follows our example?

But to the subject of this address:

In the year 1776, half a century ago, Dr. Adam Smith published his work on the wealth of nations. No person yet has carefully perused it, without becoming a convert to his leading doctrines. Yet in England, and in England only, in the year 1824, for the first time, have his doctrines led to practical results. The truths laid down by that writer, have at length been acknowledged throughout Great Britain, and acted on by the ministry of that country, notwithstanding the serious and complicated difficulties that stood in the way: while the legislators of the American Congress at the same moment were debating and denying the plainest conclusions of political science, which every man in Europe pretending to good education would blush to doubt.

It is high time this evil should be remedied, and that we should be taught in our youth those branches of knowledge which it so much behoves us to be versed in at our riper years. It is not right that the legislators of this country, should be half a century behind their competitors, in the knowledge necessary

to their profession. To excite some attention to this important subject in the minds of our young men, I have addressed to you these remarks: I hope and trust the effect will be salutary to yourselves and our country.

CHAPTER 2d.

DEFINITIONS & ELEMENTARY TRUTHS.

The laws of mechanical and chemical philosophy, when investigated and accurately determined, are known to operate with sufficient certainty to enable us to predict from the assemblage of circumstances that immediately precede an event, the nature of the event which is about to follow. I believe it may be considered as universally true, that like antecedents produce like consequents. We acknowledge this in the physical world, but we are not sufficiently aware that the same axiom holds true in what is called the moral world also: and that the mind of man, and the motives that operate upon him, are not independent of all laws, and subjected to no reasonable calculation *a priori*, but that the actions of human beings are influenced by the circumstances that precede them and produce them, to a degree quite sufficient to permit us on a large scale to predict, explain, and account for, the usual conduct of men in society, from the motives to which they are exposed.

Political Economy therefore, which analyses the transactions and dealings that take place between men who are combined in a political community, is not a science of conjecture, but of facts and consequences: as dependent the one upon the other, as the falling of a stone to the earth, on the principle of gravitation. Doubts and mistakes have arisen and may arise, when the antecedent circumstances are partially, and imperfectly observed, and when conclusions are deduced from incomplete premises. This happens in every science. But the minute and careful investigation which the several parts of this extensive subject have received within the last twenty years, has shewn us, that by degrees we may attain to certainty in proportion as we aim at accuracy; and that much of that knowledge which was formerly dubious, may now be stated in the form of elementary truths, settled and uncontrovertible.

It is upon this conviction that I begin with stating the leading objects of enquiry in the form of definitions and elementary truths: for like all other sciences, POLITICAL ECONOMY also has its technical and appropriate terms; whose meaning should be distinctly settled in the outset, and which I shall endeavour to use whenever they occur, in the sense affixed to them in this lecture. The doctrines involved in and relating to them, partially suggested for the present, I shall develope more at large as the subjects come before me in succession. The present lecture will give you some idea of the questions involved in the proposed study. Definitions though dry and uninteresting, are necessary to understand what is to follow. Nor am I anxious on the present occasion scrupulously to avoid repetition; which on a subject new to the class, can do no further harm than to occupy a few minutes more time.

Political Economy then, treats of the sources, the production, the distribution, the accumulation and the consumption of national wealth: the effect of those institutions on society which are immediately connected with the encrease or diminution of national wealth: and the effects produced on society itself by its encrease or diminution. The end and object of this branch of knowledge, is to shew in what manner and by what means, the physical gratification of human wants can be most equitably, conveniently, certainly, and effectually distributed among all the classes of society.

By WEALTH I mean those material objects on which value has been conferred by human skill and labour—which are desired for the gratification of human wants—and which cannot be obtained by those who seek them, but by giving some other object in return equally desirable to him who receives it. The wealth of an individual or a nation, consists in the abundance and cheapness of those articles which are useful or desireable for the gratification of human wants. Hence wealth may increase where price diminishes. I can afford to lay out five dollars in silk stockings at the present price: let the price or exchangeable value be reduced one half: then one half of five dollars will answer to me an equal purpose.

RICHES, a word synonymous with wealth. This last expression (wealth) being gradually adopted by writers on political economy in our own language, I have used it also.

The French use the word *Richesse*; meaning as we do, whatever is desirable to man on account of its yielding pleasure, or contributing to our comforts, or necessities.

UTILITY, that property of a material object by which it contributes to the gratification of human wants.

VALUE, utility conferred by skill, labour, and capital.

PRODUCTIVE INDUSTRY. That which confers value on any material object, which it did not possess before: or which confers skill and knowledge, which can be used in conferring value; or which are in themselves valuable and saleable, as the knowledge of a lawyer or an engineer.

UNPRODUCTIVE INDUSTRY. That which is expended without producing value, or contributing to produce it.

PRODUCE. The effect of productive industry employed upon the soil or land.

PRODUCT. The effect of productive industry employed in rendering any material substance valuable. Nearly synonymous with the popular word "Commodity." A product generally depends on the productive agency of nature, of skill, labour and capital. It is for the most part the combined result of these. Thus in a steam engine, the skill, labour and capital, are employed to render the natural agents Fire and Water productive.

PRODUCTIVE AGENCY OF NATURE then, is the useful effect of natural agents whether guided or not by human industry: as the *Sun*, the *Rain*, the *Soil* in Agriculture; as *Wind* in a Windmill; in a Ship, in a winnowing machine: *Water* in a dam: *Heat* in a furnace steam &c: *Magnetism* as in the mariners compass: *Electricity* in the electrical machine.

Productive agency of human skill, obtained by labor bestowed in acquiring it, consists in the useful application of agricultural, manufacturing, commercial and scientific knowledge.

Productive agency of capital, consists in the wages, tools, machines, workshops, ware houses, vessels &c. which capital supplies.

INGREDIENTS OF VALUE. Cost of the raw material, which is sometimes paid in the form of *rent*: as for brick-earth near a metropolis like London: for land containing porcelain clay; for a marble quarry: for ozier swamps on river banks, to make

baskets: for a quarry of buhr-stone, &c. The intrinsic value of raw material before any labour is bestowed upon it, depends on its plenty or scarcity, or the difficulty or facility with which it can be procured, and its capability of receiving value by means of skill, labour, and capital employed upon it. A handful of mud is of no value; a handful of raw diamonds may be of great value. The next ingredient of value, is *wages* of the labourer (that is labour) employed in producing and conferring value on this raw material; then the *profits* of the capital necessarily expended in purchasing the raw material, paying the wages, furnishing the tools and implements, &c. This also is reducible to labour.

As the labourer and capital would be unemployed if there were no raw material to employ them upon, capable of receiving value conferred upon it, this raw material is one of the component parts of a valuable commodity, absolutely necessary to the existence of the others, and as the substratum supporting them; although its price however paid, may ultimately be resolved into wages and profits, that is into labour. It is not always, perhaps not generally, that rent need be counted among the ingredients of value; seeing that rent is for the most part excluded from *price*. A farmer who rents land for instance, calculates upon making wages and profits exclusive of rent; and that, whether he pays a high or a low rent—any or none. He pays the rent as a compensation to the landlord, for furnishing him the means and opportunity of making the wages of labour, and the regular profit on his capital; which are the only two elements of price. High rent is compensated to the tenant by superior fertility; but usual wages and usual profits must be made, whether the rent be ten dollars or ten cents an acre; if not, the land will not be cultivated. I shall recur to this subject.

MEASURE OF VALUE. The actual measure of value is the average money-price of the article in question, at the given time and place. I say the average, because the money, market, or current price, will be sometimes a little higher, sometimes a little lower than the natural price, owing to temporary fluctuations in demand and supply.

PRICE. The amount of other products which any useful article will command in exchange. This is *exchangeable value*. The elements of price may be considered as being wages and

profits: whether rent or the cost of raw material ever enters into the calculation of price is doubted by some. In agricultural produce it certainly does not. In some cases where the raw material is scarce and dear, I think it does.

MONEY PRICE, MARKET PRICE, CURRENT PRICE.—The amount in current money which any useful article will command when exposed to sale. This depends permanently on the natural price, and occasionally on the demand compared with the supply. Market price is the price for the time being.

REAL PRICE, NATURAL PRICE, Consists in the cost (if any) of the raw material, the amount paid in wages for the labor expended upon the article, and the usual profit on the capital employed upon it; all reducible to the labour expended upon it before it be fit for market. It is that price which will enable the seller to re-produce the article in the same market, with a reasonable profit.

Prime cost will be this natural price deducting the profit on the capital employed. Mr. Ricardo has shewn, that the exchangeable value of any commodity, depends for a *permanence* on the quantity of labour that must be employed in producing it, and which is worked up with it; and on no other circumstance; capital, wages, cost, being by ultimate analysis, resolveable into labour. *Temporary* increase of exchangeable value may depend on demand excited by some temporary circumstance, as the value of black cloth on a court mourning.

RAW MATERIAL. Any material object employed to receive value or utility conferred upon it by means of human industry, skill, and capital. It has therefore, a natural value dependant on its capability of receiving artificial value.

COMMODITIES. All articles possessing exchangeable value, and commanding price.

LABOUR. Human exertion employed to produce or confer value or utility on any raw material.

WAGES. The money or other useful commodity given as a compensation to the labourer, for his labour. This must be so much as to ensure to the labourer and a moderate family a portion of the necessaries of life sufficient to sustain bodily strength. Hence all taxes on the necessaries of life, either enhance wages, or reduce the labourer to want. Wages are higher when combined with skill, which is acquired by previous

labour, and may in fact be considered as capital. Thus the wages of a painter or sculptor are far greater than those of the weaver of the canvass, or the digger in the quarry.

EXCHANGEABLE VALUE. That property conferred on any raw material by means of human skill, labour, and capital employed upon it, that makes it so desirable as to induce other persons to give for it some other valuable article or commodity in exchange. Human skill and labour therefore are productively expended, not in producing the commodity or article itself, but the useful property which makes it desirable to and sought for by others—producing and conferring that value which causes the commodity to be in demand. Useful articles that nature has provided in abundance, such as air, water, fire, light, have no exchangeable value in their natural state; any person may without price obtain as much of them as he need. The exchangeable value of an article, encreases with the quantity of skill, labour, and capital necessarily employed in producing it.

REVENUE, INCOME. The annual amount of money or other valuable commodities which a man is entitled to, or receives, whether as landholder in the form of rent—as agriculturist, manufacturer, or merchant in the form of profit—as a member of one of the learned professions in the form of fees—or as a magistrate or public officer in the form of salary—or in any other lawful way.

EXPENDITURE That portion of a man's revenue, which he lays out or expends for the gratification of his immediate wants: and which being consumed, produces no further profit or advantage than the gratification of his wants. This expenditure may be prudent or necessary, according to his situation in life; but he is nevertheless poorer in consequence and in proportion.

CAPITAL. That portion of a man's revenue which remains as a surplus or saving after all his expenditures are made. A surplus which may be laid out to produce further profit or additional revenue.

CIRCULATING CAPITAL. A popular phrase in use to express that mass of revenue, whether belonging to individuals or to the government of a nation, which is laid out and expended in commodities wanted, whether for immediate consumption or future profit: whether destroyed and consumed in the form of

present expenditure, or destined to form a part of accumulated capital, as the basis and source of future additional income. Circulating capital, must not be confounded with *circulating medium*: which last consists of the gold and silver coin and paper money of a country; and serves no other purpose than to facilitate, by means of a common standard of reference, the interchanges and barterings of the circulating capital, which is of far greater moment and amount.

FIXED CAPITAL, consists of the workshops, warehouses, buildings, tools, and other conveniences necessary to produce future profit by means of the capital thus invested in them. These in mercantile and manufacturing language constitute the *plant* of a merchant or manufacturer. The stables, the barn, the granary, the sheds, the carts, the waggons, ploughs, harrows and other implements of husbandry, the horses, cattle, &c. of a farmer, constitute his plant or fixed capital. Plant is a metaphorical term, as if a man were planted and rooted where his fortune is to be made and grow.

PROFIT is not the excess which a man receives for any saleable commodity beyond the real or natural price which includes profit, but the return in value which he receives for laying out and managing or superintending his capital. When a man brings to market an article possessing exchangeable value, it has already cost him, the price of the raw material, the amount of wages employed upon it (greater in proportion to the skill required) and the legal interest of the capital employed upon it. This is the prime cost. To this he adds, the usual profit upon his capital. The usual rate of profit in a country, regulates the profit in particular cases. This usual rate of profit is principally regulated by the profit of agriculture, the earliest and most common of all employments.

RENT. Is the price paid to a Landowner, for the loan of capital in the form of land, of houses, warehouses, water power machinery, &c.

Rent is lower than profit; because the receiver of rent is put to no trouble, is called upon for no skill, and incurs no risk. At least this is the case where rent is paid in money. Those who embark capital as agriculturists, merchants, or manufacturers, must employ their capital under the direction of technical skill, previously and laboriously acquired; and they general-

ly incur some risk of losing their profit, either from want of demand for the article, or insolvency in some of the purchasers.

The rent of land as we shall see, is regulated by its superior fertility or other advantages belonging to it; nor does it enter as an element into the price of farming produced; the price of a bushel of wheat in the market, is the same, whether produced from land let at five dollars or five cents an acre; though it is doubtful whether rent in other cases where it is paid for a material scarce and dear, be not an element of price. If a lead mine for instance be farmed, as is common in England, the proportion paid to the landlord, is added, I conceive as part of the expense, and enters as an element of the price of the metal. Modern writers however do not admit this.

INTEREST. Is the rent or compensation paid for the use of capital; generally of capital in the form of money, loaned to some person who by the addition of technical skill wishes to make profit of the capital so loaned.

As interest like rent, is received without any trouble or risk incurred by the lender, it is always much less than profit. Generally the average profit or capital in any country, is three times the amount of the *usual* rate of interest, where business is transacted by wholesale. The *usual* rate is sometimes more, generally less than the legal rate.

Governments for the most part regulate the rate of interest by law. To receive more than the legal rate of interest, is an offence called *usury*. It may well be doubted whether this *ought* to be deemed an offence: a question which I shall have to discuss.

In long settled, rich, and prosperous countries, where capital has greatly accumulated, the legal rate of interest is usually higher than the market rate. As in England, Holland, Boston, Pennsylvania. So in our own state, legal interest is 7 per cent; actual interest 6 per cent.

PRODUCTIVE EXPENDITURE. Capital saved out of revenue, and employed with a view of profit.

UNPRODUCTIVE EXPENDITURE. That which is expended on articles that are consumed without any view to profit in consuming them, as in food, cloaths, wine, amusements, &c. It does not however follow that because expenditure takes place without any thing of value remaining, that it is useless. Use-

ful expenditure is one thing; productive expenditure is another. It may be useful, as the nourishment necessary to life. Still, not being so applied as to produce future profit, it is properly termed unproductive. A person finds that after all his necessary expenses he can save out of his revenue 500 dollars. Another person is in like situation and circumstances. The first, dedicates his 500 dollars to a journey of pleasure: the second lends it upon mortgage, or lays it out in clearing and fencing land. The first enjoys his excursion, spends his surplus money, and nothing remains. The second converts his 500 dollars into capital, that will remain undiminished, and yield annually the usual legal interest or the usual farming profit. It is by such savings and accumulation as in the latter case, that individuals and nations encrease in wealth, population, and prosperity. When capital becomes so abundant as to be difficult of employ at home, it may be employed abroad; a greater and more luxurious expenditure may reasonably be indulged.

UNPRODUCTIVE CLASS. Those members of society, who do not labour in any manner; or whose labour may well be dispensed with, as contributing little or nothing to the gratification of those human wants which it is innocent and desireable to indulge. Such as,

Men who have no occupation whatever but to spend their revenue, and who do nothing else; *fruges consumere nati*. All *Sinecure* holders; among these, in our country we should reckon, Kings, Nobles, the Hierarchy, with all their tribe of retainers. All salaried officers, whose remuneration is far beyond the utility of their duties; or whose services can be dispensed with. All those who contribute to the gratification of wants that *ought* not to be indulged. It is a more difficult question when it relates to those who contribute to wants, that *need* not be indulged, and which tempt to expensive and imprudent indulgence; as Dancers, Singers, Mimics, Actors: for the indulgence of innocent pleasures should not be prohibited, if they be not purchased too dear; and of this the individual who purchases them is the most competent judge.

Adam Smith ranked among the unproductive class, all those who in no manner contributed directly to the production of value or utility on material objects—who did not add to the

mass or quantity of consumeable commodities. Hence, Kings, Nobles, Judges, Magistrates, Legislators, Priests, Lawyers, Literary men, &c. were with him unproductive consumers: and true it is, that those who do not add to the mass of useful and consumeable commodities by their own manual labour, are fed, clothed and maintained by those who do. The idle and the useless, are excrescencies on the body politic. But, it is a stimulus to useful industry, when we are allowed to expend part of our earnings in innocent and pleasurable gratification: which therefore becomes indirectly useful; and ought very cautiously if at all, to be subject to prohibitory laws.

Adam Smith, was still further mistaken, when, because merchants and manufacturers added nothing to the commodities they dealt in beyond the labour employed upon them, that they were of the unproductive class. Assuredly he is a producer of no mean consideration, who contrives to give value and utility to that which had none before.

For the utility of men of science and literature, such as Newton, Adam Smith, Priestley, Lavoisier, Watt, Fulton &c. see the Eloge of Cuvier on Parmentier.

MONEY. Some article or commodity, real or imaginary, employed to supercede the necessity of bartering or exchanging for each other, the innumerable variety of commodities that are demanded and supplied. So that every article may be valued in reference to some common standard of exchange, some common measure of value, which should if possible be devoid of value itself except for this use to which it is applied. In some parts of Africa, the money consists of the shells called Cowries; in other parts, of bars of iron. Most civilized countries have adopted the precious metals, (gold and silver) as having an intrinsic value which fluctuates very little; for a common measure to be perfect, should be either of no value or of a value not subject to change. No known material possesses all the necessary qualities: the precious metals approach only to what we want.

In Great Britain, and for a long time in this country the Pound Sterling was, and indeed in Great Britain still is the common measure to which all other values are referred. But it is an imaginary, not a real coin. England has Guineas, half Guineas, Sovereigns, Crowns, and half Crowns, but no pound

sterling. In Virginia for a long time, and partly even now Tobacco was the common standard of Reference—the money of the country. This imaginary money, is what Sir James Stewart in his political economy distinguished as money of account, in contradistinction to *money coin*.

Money therefore, whether coined money or paper money, has or should have no value itself: it is the unit or standard to which values are referred. It is the representative and exponent of wealth; it does not constitute wealth. A certain quantity in every country is necessary in proportion to the business carried on, to serve as a circulating medium, by means of which exchanges are calculated and facilitated. But beyond this employment of money its accumulation is useless; or rather detrimental. For if it be more abundant than the demands of commerce for circulating medium require, the money price of every article rises in proportion, foreign commerce is impeded, and the coin is sent off to countries where it bears a higher price. Money coined out of gold and silver, has within five and twenty or thirty years been gradually superceded in great part by paper money. Whether advantageously or not, all circumstances considered, is a question of doubt, and limitation.

BULLION. Gold and silver uncoined. These, when manufactured, have value as articles of commerce; for convenience and ornament, independant of their use in coin. This value as an useful and ornamental material, frequently occasions the market value of bullion to fluctuate; and operates as a considerable disadvantage in the use of these metals for coin. In the early stages of society gold and silver being frequently found in a metallic form, were in greater plenty than iron and other metals which required to be extracted by a long and difficult process from the ore. We see this in Homer's Iliad. The value of gold and silver, depending on their scarcity, and on the amount of labour necessarily expended in procuring them, fell greatly soon after the discovery and intercourse with Spanish America. Probaly, the recent speculations in mining in that country, may again occasion these metals to fall in value, till they are brought to their natural price, consisting in a fair profit on the labour and capital employed in raising and transporting them. The national stamp on bullion which converts it into coin, serves to designate on good authority, and by simple inspection, the

weight and fineness of the coin in question. Of late years, in England, questions of great difficulty and importance have arisen from the real or supposed fluctuations in the market price of bullion when purchased by paper money.

CIRCULATING MEDIUM. Any kind of money—any common standard of measure or value, whether of metallic coin or paper, that passes currently in payment for commodities that are in demand. Currency is the same with circulating medium.

BANK. The circulating medium, currency or coin of Europe, until about the middle of the last century, consisted chiefly of coin manufactured out of bullion: every country having its own coin that served as a measure of value for all its domestic transactions, but was seldom employed out of the country. Abroad, coin passed (as it now does) only as bullion of a given weight and fireness; and therefore a loss was often suffered on remitting it to foreign parts, beside the risk of transmission and the expence of transmission. Hence arose the substitution of bills of exchange.

Within the last forty years in particular, the commerce of Great Britain, and other countries in Europe, has encreased so much, that gold and silver in sufficient quantities to serve as payment cannot be found. Nor could extensive dealings be carried on, by the inconvenient method of paying in coin; owing to the weight, the bulk, and the trouble of counting. This gradually compelled the use of acknowledgements of debt, and promises to pay a given amount, expressed upon paper; the obligation being, to pay on demand or at some future time, according to the contract. The latter kind of promises to pay at a future day fixed, became transferrable on assignment, and passed as money. They would not however pass in payment, unless among those to whom the promissor, his solvency, and punctuality, were well known. Moreover, among the numerous and extensive transaction of a modern commercial and manufacturing country, such for instance as Great Britain, persons in business will frequently have occasion for temporary sums of money, beyond what their own capital can furnish. For instance.

A merchant is frequently compelled to give credit to his debtor beyond the usual period of mercantile credit; in which case, the returns of his own capital will not come round quick

enough to answer the demands upon him, which he must satisfy by borrowing for a limited time, the means of so doing.

Sometimes a lot of goods much wanted, is offered, but the price is more than he can command at the moment.

Sometimes a foreign creditor draws on him sooner than was expected.

Sometimes his vessel waits in port at expence, because he has not the required means to compleat the cargo.

Sometimes losses in trade occur from the insolvency of debtors, by which his regular arrangement of payments is defeated.

These and other accidents to which large transactions in business are liable, render it extremely desirable some means of procuring temporary loans should exist, and to which a trader may resort when sudden emergencies press upon his funds. The credit of individuals being extremely limited, often dubious, and almost always stretched to the utmost by the calls of his own business, will not answer the required purpose. Hence arose the establishment of BANKS. They first began among the Italians of Lombardy, and the street in London called Lombard street, has for a long period been the locality of that class of money dealers. They are thus formed:

A person or a number of persons of extensive property, and whose credit also is extensive from their general reputation for wealth and solvency, say to the merchants and traders, “your
“own obligations or promissory notes will not pass current and
“answer to you the purpose of money, except to the few per-
“sons who know you personally and intimately. Our obliga-
“tions of the same kind, will pass current as a substitute for
“money, among the persons with whom you deal. If you will
“give us your promissory note, with the guarantee of two other
“solvent persons that it shall be paid on the day indicated, we
“will give you our promissory note for the like amount, paya-
“ble on demand, deducting only the interest allowed by law on
“this loan. When your promissory note to us becomes due,
“you may pay us in our own notes.”

The profit of a bank therefore, consists in converting, not the capital but the credit of the institution into profit; transforming credit into an effective capital, and gaining legal interest on the issuing of their own paper money. That credit

is preserved, by paying promptly their own promissory note, whenever called upon, in the usual currency of the country, which is generally coin-money, and in some cases as in England, the promissory notes of the national bank, which have been for a time made current there, under certain limitations, by law. This view of the subject implies, that a regular bank established on the acknowledged principles of sound credit, proceeds on the following maxims:

1st. That the bankers should be able if necessary to perform the promise expressed on the face of the paper money they emit, viz: To pay the amount indicated, on demand, in the current coin, or currency of the country. The more readily they do this when required, the less frequently will they be called upon to do this: for no one will carry much gold and silver about him, who can answer the purpose of gold and silver with a bit of paper that when presented can be converted into gold and silver.

2nd. That the amount of notes issued by them, shall bear the usual proportion to the capital on which they trade, and which the experience of banking has sanctioned. Any emission beyond this, is an imprudent and reprehensible kind of gambling. What that proportion is, we shall consider by and by.

3rd. That the capital on which they trade shall not be buried in land or fixed property, that will require time to be converted into money. It may be wanted at an instant, and should therefore be forthcoming at the instant. Nor is it fair to speculate on two profits, viz: the rent of a land owner, and the profit of a banker.

4th. That their emissions of paper in the form of loans, to individual traders, should be for short periods only; otherwise they impair their own solvency; for the more distant the periods of repayment are made, the less able are they to meet sudden and unforeseen demands. A failure to meet promptly such demands, would be fatal to the credit of the bank. The usual bank credit, is sixty days.

5th. That they should never emit their own promissory notes but upon equivalent security deposited with them in the form of coin, or of obligations on part of the borrower to pay at the usual period, and secured by two solvent guaranties. Otherwise, they do not retain the means of performing the

promise contained on the face of their own notes. Hence they must calculate that the periodical returns of payments to be made by their debtors, shall be sufficient in frequency and in amount, to answer all the calls for coin that experience teaches them are usually made within given periods of time.

6th. They must take care not to loan upon discount to such an amount as to glut the market with their own paper: for this will give rise among mercantile people to a well founded suspicion of over trading—of trading beyond their known or presumed solvency: and this suspicion will occasion their notes to be presented for payment more frequently and in greater amount than they may be able to answer. This is called a run upon the bank.

7th. They must on no temptation of gain, issue their notes uncalled for, undemanded. For if they issue more circulating medium than the wants of the mercantile public call for, it suffers an immediate depreciation, and a run on the bank that issues it is the inevitable consequence. Of this run on the bank, the probable effect is, inability to pay, and a consequent loss of credit and character.

It is sufficient here, in a mere lecture of definitions and elementary ideas, to indicate the leading points connected with the subject. I shall take a future opportunity when the banking system comes in course, to enter into some of the very important details connected with it.

LOAN OFFICE. Banks are instituted to aid the commercial and manufacturing interests of a country, by means of temporary loans for short periods called for by these sudden and unforeseen emergencies that merchants and manufacturers are well known to be liable to. Hence 90 days is the longest period for which a bank in this country, usually loans to its customers: in England I believe the longest time is 60 days. Amid the multitude of discounts made, and of bills falling due continually, provision is thus secured against any sudden run on the bank. But if a bank were to lend its notes at long periods, so that the intervals of repayment should be distant, their notes due on demand may be inconveniently returned upon them, before they are provided with funds to take them up; that is to redeem them with the current money of the nation whether it be coin or paper. A bank that lends its notes in this

manner on landed security, without requiring the loan to be repaid at short periods, puts on the character of a *loan office*. A government of a country may institute a loan office, but private bankers can hardly venture on this measure safely. Indeed the utility of a loan office, where bills are issued on landed security, unless to answer some particular emergency, is very questionable. Nor are farmers or land holders a class of persons usually benefitted by borrowing: owing to the lowness of agricultural profits, and the want of that habit of punctuality so carefully observed and exacted in mercantile transactions. Loan offices in the United States have been too frequently temptations to extravagant expence, and imprudent land speculation.

PAPER MONEY: paper currency. This is usually considered as consisting of banker's promissory notes payable on demand. But these by no means constitute the whole of paper money, or even the most considerable part of it. The other kinds of paper money in common use, are bank-credits, and bills of exchange.

If I have money or credit at any bank, I can draw on that bank in favour of my creditor to the required amount. He can pay that draught or check to his creditor, or send it to his own banker.

In like manner if my creditor A be indebted to my debtor B, I can give A a draught, check, or order on B. In these cases, there is no circulation of coined money or of bank bills; none are needed. Although in London the checks drawn upon bankers founded on the credits they allow, amount to 4 or 5 million sterling daily; and on settling days in the stock-exchange, to 20 or 30 millions, all this business is transacted without any coin and with very few bank notes, and almost entirely by an interchange of checks. The banker's clerks meet every evening in a common room for the purpose of making this interchange. Upon the average, it requires about £220,000 in bank notes, to transact business there, to the amount of 5 million.

A bill of exchange is originated thus. Suppose I deal with a merchant at Petersburg for Russia sheeting, and he deals with my neighbor in Charleston for Rice, if he sends to his creditor in Charleston an order to receive from me so much money, I can pay it to my Charleston neighbour by a check on the bank. The order on me is a bill of exchange. No gold,

silver or bank notes are necessary to this transaction: my check on the bank is entered to the credit of my neighbour to whom I pay it; and I make my Petersburg correspondent debtor in my books to the amount of his bill of exchange on me.

A bill of exchange then, is a written order by a merchant of one country, to a merchant in another country, to pay a specified sum of money, at a specified time, to a specified person entitled to receive it, or to his order.

The merchant who draws this bill of exchange in consequence of having transmitted goods to the amount, either sells this bill to his neighbour who has imported goods from the same country, or else he receives from his foreign debtor a bill of exchange in return, on some person in the country of the creditor, or within the circle of his dealings. The price of bills of exchange on a foreign country, will depend like every other commodity on the demand and supply, and this will depend on the balance of trade between the two countries. If France sells to England to the amount of a million, and has bought from England to the amount of half a million, bills upon England will be plentiful and cheap in France, and bills on France will be comparatively scarce and dear in England. Exchange is limited by the trouble, expence, and risk, of transmitting coin, for which it is a substitute. When the exchange demanded is higher than the risk and expence, the merchant refuses to buy a bill, but sends off his coin to pay the balance against him. Bills of exchange therefore are no more than contrivances to save the expence and risk of transmitting coin; and also to save the interest that coin will yield if employed at home during the interval of transmission. Hence, in such a country as England and the United States, the only uses of coined money are these:

1st. As every bank note is a promise to pay so much coined money on demand, the banker must keep by him as much coined money as may be necessary to meet the average demand for coin, which he finds out by experience. For a bank in full credit that always pays coin when demanded, is seldom troubled with such a demand. Probably a stock of coin equal to one third of the amount of notes issued, will generally suffice to answer this demand. Hence: two thirds of the bank capital, may consist of paper issued on the sole credit of the bank, and not on the actual amount of their monied property on commencement of

business. This is a creation of a new capital equal to two thirds of the loans. Paper money is in many respects so convenient, that it has superceded the necessity of coin in all large payments and transactions. But

2ndly. Coin is still necessary to make those daily and hourly expenditures which consist in small sums which it would be inconvenient to issue in the form of paper. For all kinds of family expences, and the purchase of articles of small price, coin is still necessary. Paper money of small denomination would soon drive all the coin out of the country, and will then become worthless itself, like the filthy rags of this description too prevalent among us.

3rdly. When bills of exchange cannot easily be procured to pay a foreign debt, which happens occasionally, it becomes necessary to remit gold or silver. This does not often happen; for the commercial transactions of two nations so nearly liquidate each other, that balances to a great amount seldom occur: and when they do, the persons who deal in bills of exchange, can generally find means of paying the foreign creditor without transmitting gold or silver. When coin is transmitted to a foreign country, it is usually a sign that bullion is higher there, than in the country from which it is sent.

Paper money of promissory notes, is either **FREE** paper money, or **FORCED** paper money.

FREE paper money is that which is issued in consequence of the real demands of commerce; and it is, or ought always to be founded on loan for short periods only, and redeemable in national currency when demanded. Paper money so issued upon real transactions of commerce, never overloads the market, or produces any tendency to depreciation: for it is called for—it is wanted for the purposes of trade before it is issued: it is the offspring of real and encreasing trade.

FORCED PAPER MONEY, is that which is issued by governments to supply their wants. Such was the paper money issued, and by Congress made a legal tender in payment during the American revolution. Such was the emission of assignats during the early part of the French revolution. Such paper not being called for by the actual demands of commerce, gluts the market with paper money, which has no counterbalancing equivalent. Not being wanted, the value of it falls gradually,

till it becomes extinguished as waste paper. Unless as in our own country, it should be funded at a late period and receive by that operation an unexpected value, greatly to the advantage of those speculators who are in the secret of the proposal; as we have known the case to be after the revolutionary war, with our own similar paper.

Much paper money not founded on the wants of commerce, is annually issued in England by the bank, in paying interest on the national debt, and discounting bills of the navy office, the ordinance office, and the exchequer. But these two last descriptions, are taken out of the market at stated periods and funded; thereby preventing the ill effect which would ensue from commercial paper money being thrown into circulation beyond the demands of commerce. Much paper money was also prodigally issued by country bankers in England, though not perhaps by the bank of England, during the restriction of money payments on the bank, for several years subsequent to 1797. The high price of bullion compared with bank notes, and the derangement of exchanges and commerce generally, in that country, owing to this too liberal use of paper money, compelled the government and the banks to return to the old, prudent, and only honest system, that of fulfilling their engagements and paying in gold and silver on demand. And to this must every system come at last, that means really to be based on honest dealings.

Another source of paper irregularly issued, is when three or four traders, whose credit has been stretched to the utmost, enter into partnership to draw on each other alternately, and endorse mutually the bills thus drawn, so as to procure a loan from a bank in this indirect manner, not founded on any real transaction of commerce. This method of drawing and counter drawing, is called *accommodation paper*; and is an exponent of over trading that ought not to be countenanced, and in England never is. In this country it is common; but I believe it to have a very bad effect on the mercantile interest and the mercantile character. It has given origin to the unfair preference given by insolvent debtors to banks. A preference which, however fraudulent both in law and morality, is sedulously inculcated by banks, on the penalty of rejecting in future the paper of those traders who have neglected to defraud their other

creditors for the purpose of securing the banks at all hazards.

Whether a system of paper money as a circulating medium can be beneficially substituted for coined money, so as to exclude the precious metals from the market entirely, is a question which Mr. Ricardo brought under discussion; but I do not see the possibility of carrying into execution any system of which the exclusion of gold and silver is the basis, until you can get all the rest of the world to adopt your currency.

COMMERCE. The sale and purchase, and general interchange of valuable commodities by which the wants of men in society are supplied. It is divided into the home trade, the foreign trade, and the carrying trade. Commerce is popularly applied to the foreign trade.

HOME TRADE. That sale and interchange of commodities which is carried on at home—within a nation; and where the inhabitants of that nation are the sole customers and purchasers. The amount of the home trade even in Great Britain, is about eight times the amount of the foreign trade. In every other country from 10 to 12 times. At home, each man spends about three fourths of his income among his fellow citizens. Foreigners purchase only what they are strongly tempted to buy.

FOREIGN TRADE. That commerce which is carried on between foreign nations. A merchant is employed in bringing valuable articles from a distant country where they are cheap, to another country where they are scarce and dear. Another great benefit of foreign trade is, the mutual communication of improvements in all things relating to the comfort of human existence.

Hitherto, foreign commerce has every where been a war of restrictions, imposts, and prohibitions. A contest between nations which should do each other the most harm; arising from the selfish and mistaken idea, that the gain of one nation is the loss of another. The late proceedings of the enlightened ministry of Great Britain, under Mr. Canning, Mr. Huskisson, Lord Liverpool and Mr. Peel, have opened to us the dawn of a brighter day. *Our* national legislature, has not yet been wise enough to profit by the example.

CARRYING TRADE, consists in the carrying exportable commodities from one nation to another, the gain consisting in the freight thus earned. This trade flourishes among neutrals when

other nations are belligerents. Sometimes the neutral purchases the commodities of one belligerent and sells them to another. This involves the great question of the *accustomed trade*, first agitated during the war of 1756, and afterwards during the war between France and the rest of Europe from 1792 to 1815. This question I shall have to touch upon again.

Much theoretical investigation has taken place, as to which kind of trade is the most profitable for a nation to pursue, and for a government to encourage; proceeding on the consideration of the quick and slow returns of capital. Of all this, the persons who pursue commerce for their living, are the most competent judges. I know of no trade that government ought to intermeddle with. Let us alone. Every trade that brings an average profit on capital to the man who pursues it, is a profitable trade; and the individuals whose interest it is to make a profit, are the best judges how to invest their skill and capital for this purpose. If every man in the country trades beneficially for himself, he trades beneficially for the community, which does not exist independently of the individuals who compose it. It is unfortunate that when the power of legislating is conferred on any body of men, here or elsewhere, it is too often taken for granted that wisdom comes by intuition, and that legislators must know more of a man's business, whatever it may be, than he knows himself.

BALANCE OF TRADE. If I, a cotton merchant, deal with France for wine, with China for tea, with Havanna for sugar, with Birmingham for hardware, and with Liverpool in cotton, I shall probably be indebted at the end of the year at all the places except Liverpool, and have to send dollars to pay my debts. With all these countries the balance of trade is said to be against me, because I do not sell to them, to the same amount that I buy from them; while with Liverpool, the balance will be greatly in my favour. But upon the whole of my annual transactions, the balance must be in my favour, or I could earn no income to live upon. This is the case with every prudent man: and as the great majority of merchants in every country are of this description, the balance of trade in every country is in favour of that country. Every merchant must earn the means of paying his debts, or he will not be trusted. All fair trade, is not beneficial to one of the dealers, and a loss to the other, but it is mu-

tually advantageous. In the case put, I might refuse to deal with France, with China, with Cuba, with Birmingham, and order all my wines, my tea, my sugar, my hardware, &c. from Liverpool; at second hand from my factor there. In that case, the whole of my concerns will form but one trade with a favourable balance: but if I can buy cheaper by trading directly with France, Cuba, Birmingham, and Canton, and by paying coin or bills of exchange on Liverpool, do I not gain by so doing? The balance of trade has long been a bugbear with half informed people who look no further than custom house entries; but on a great scale, it is in fact in favour of every nation upon earth; or it neither would or could be carried on.

LUXURIES. Any commodity purchased, not necessary or expedient according to the rank and fortune of the purchaser, and that occasions a disproportionate expenditure of income. A man of 5000 dollars a year revenue, may reasonably give 500 dollars for a pair of carriage horses; in a man of 1000 dollars a year revenue, this would be an extravagant and unjustifiable luxury.

STOCKS: PUBLIC FUNDS; NATIONAL DEBT. When the taxes are inadequate to the exigencies of the state, government draws upon posterity: borrowing from individuals, and paying them such interest as is agreed upon for the capital so loaned. This capital does not any more exist. It has been spent, merged, dissipated. The debt remains. The stipulated interest with which the community is burthened, is made transferrable and assignable. The stocks, funds, national debt, are words designating this interest, which has become annually payable to individuals for the capital formerly loaned by themselves or those they represent. The individuals who pay the taxes destined to discharge this annual interest, are burthened in proportion to the amount assessed upon them. Some people have supposed that capital borrowed by a nation, does not impoverish it when spent among its own citizens. That it amounts only to taking from the right hand to put into the left. But if I pay ten dollars for a barrel of gun powder to my next neighbour, and use it up in fire-works for my amusement, am I not ten dollars the poorer for it when I have so done? The labour of the people employed to convert the charcoal, sulphur, and saltpetre into gunpowder is fired away; and that which might have remained as an addi-

tion to active and productive capital, is dissipated, no more to appear in any useful form or shape. If I throw a dollar into the ocean, am I not the poorer for it? If government does the same, is not the nation the poorer for it? The question is not, whether it be necessary for the government of a country to incur an expence defrayed by taxes laid upon the people, but whether when these taxes are expended and consumed, there is not a defalcation of the national capital to that amount? Whether this amount be sunk in the sea, destroyed by fire, or consumed by any contrivance of the government, still it is destroyed; the aggregate capital and productive powers of the nation are diminished by so much. Expenditure may be expedient or necessary, without being productive; as in the case of the food we purchase and consume, the cloths we wear, the houses we inhabit. Still, every man's permanent wealth is diminished by all these expences which his circumstances render necessary. The greater they are in amount, and the more indispensable they are, the poorer he is, and the less he can spare. Wealth is encreased, not by laying out, but by saving. The more a man is enabled to save, the richer he may become. The way to encrease wealth, is by incurring no more expences than your situation in life renders necessary for your comfort, and than your earnings can prudently supply. The contrary doctrine has long been a favourite with courts and ministers; who would willingly persuade the people that governmental extravagance can do no harm: that "a national debt is a national blessing," as the father of Mr. Peel, the present secretary of state contended, and as was the fashionable doctrine during Mr. Pitt's and Lord Castlereigh's administrations. The people of England now know better, by sad experience. The more of the people's money is expended by any government, under whatever pretence, the more are the persons in power, their friends and adherents benefitted, and the more stable by patronage and influence that power will become. The best government has too many temptations to needless expenditure. The best of all governments, is that which performs its required duty at the the least expence to the people—that requires the smallest amount of taxation.

POPULATION: HEALTHY POPULATION. By this last term is meant, that number of people in a community which is sufficient to supply the demand of labour, but barely so. The

great mass of the people live more fully, more happily, where there is a constant demand for labour than where that demand is insufficient to employ those who have nothing but labour to subsist upon. Every man who places himself in the market as a labourer to be hired, comes in competition with every other man in the same situation; and this competition has a tendency to lower wages, and of course to detract from the comforts and encroach upon the necessaries of life. If the capital to be employed, which creates the demand, pays the wages, and furnishes the subsistence, is adequate to the support of fifty labourers only, and there be one hundred competitors for employment, the latter if employed, must live upon half wages only. This appears sufficiently obvious; but the principle has been strangely controverted in practice, not only in antient times, but in our own day. At Rome, they had the *Jus trium liberorum*, and the candidates for any office who were not of the required age, were allowed a year for every child. Population in antient times required perhaps more attention, to supply the continual wars in which nations were then engaged, than now; and redundant population was in other cases carried off by colonization. But in modern and peaceable times, the encrease of population can only be supported by encrease of revenue to be expended; and no encrease can take place unless by the accumulation of capital; capital, seeking employment, creating the demand for labour, and supplying the wages that are to purchase food for the labourer and his family. I shall hereafter prove more at large, that if the market of labour be glutted with that commodity, the subsistence of the labourer will be scanty; and war, famine, or disease, must and will inevitably thin the ranks of the poor, until the supply of labour becomes no more than equal to the demand for it. The bearing of these doctrines, on marriage, and the poor laws, is of the highest importance. They shew the absolute dependence of national strength on national wealth. They demonstrate that capital can never be encroached upon, converted into expenditure, and consumed, without driving some human being out of the world for want of subsistence. They shew, that saving is a virtue, and that charity may be a vice; and that no encouragement can prudently be given to population, unless the capital of the nation can be increased by the industry and frugality of individuals so as to meet the demand for permanent

employment. At the voluntary expence of some repetition, I shall hereafter enter into the details necessary to establish these truths, and shew their manifest importance to the well being of society.

GOVERNMENT. Is a term usually employed to designate and comprize the persons who controul the legislation, and constitute the executive power of a nation. In our country, it is usually confined to the executive magistrate, and the officers of state who are appointed to assist him: viz. the Secretary of State, the Secretary of the Treasury, the Secretary at War, the Secretary of the Navy, and the Attorney General. These form the several departments of our government, at the head of whom, is the President of the United States.

In almost every country excepting our own, what is called the government, is the most wantonly extravagant and ill managed establishment that the people have to support. This arises from mistakes in the political structure of the government. Mistakes, consisting in unnecessary officers of government, paid by extravagant and unnecessary salaries; in too much power conceded; or conceded for too long a period; and in the want of means to enforce sufficient responsibility on the part of those who govern. Politics, as I have said before, are not the same thing with political economy: but a bad political system is a dreadful burthen on the public purse. It raises up a host of unproductive consumers (*fruges consumere nati*); it creates a partial and unequal distribution of national wealth; and it wastes without mercy, those savings, that ought to be the source of permanent encrease in the population of the country. It is true however, that many of the leading truths of political economy, may be put in practice under a despotism; and the condition of the people so governed will improve by an attention to those precepts by which wealth, population, and power, are surely promoted. It is possible as we well know by woful experience, that even under a well constituted political system, the governors employed to conduct it, may be too ignorant to profit by the knowledge of the day. Hence, although politics are one thing, and political economy another, they are not disconnected. They cannot be fully and honestly treated in their connection, in Europe. The Law of Libel is ever on the watch, and the jealousy of government is ever on the alert. A wanton dissipation

of the national wealth and national resources, is almost ever attendant on a defective system of political government; and this happens every where in proportion as the people are deprived of political influence and controul. I shall therefore think it right in the progress of these lectures, to speak of those fundamental truths on which all political communities ought to be based; by which all politics ought to be regulated; and the rights of the great mass of the people effectually protected. We cannot trust to the goodness of individual character in our rulers: a constitution clearly penned, conferring well defined and limited powers for a limited time, appears essential to perfect freedom. I fear that even in the best constituted governments there is almost necessarily an interest distinct from the interest of the people. The people require, that

The system of government shall be as plain to be understood, and as simple in its construction as possible. The agents and officers of government, gain by mystery and complication.

The people require from their agents, universal responsibility, easily compelled. The officers of government will be content to render as little responsibility, and that little, as difficult to be attained as possible.

The more in number and the higher the emoluments of the officers of government, the better for them: whereas, the interest of the people is hostile to all sinecures, and exorbitant emoluments.

The greater the expences of the government, the more money have the officers of government to expend, and the greater is their power, patronage, and influence: whereas, the people require little expence and little patronage unless vested with themselves.

Governments independent of the people, are apt to engage in foreign wars, and to incur a national debt. War is seldom the interest of any nation, and is likely to be less so in future than formerly. But the exemptions enjoyed by those who govern from the evils of war—and the patronage afforded by a war expenditure, furnish rather temptations than checks to the usual propensity. The evils of war and of taxation fall on the people; they are seldom felt by the officers of government. *Quicquid delirant reges, plectuntur Achivi.*

Hence, however good may be the domestic policy of a bad government—however the national wealth may encrease under an enlightened system of political economy—that wealth under such a system is never secure; it may be squandered and dissipated by the vices of government; and taxes may be rendered necessary to an amount that cannot be defrayed by surplus income, but which gradually encroaches on national capital. Whenever this happens, wealth, and population, and power gradually decline. Hence I shall be justified in ranking a good government limited and restrained by a constitution adapted to secure responsibility, as among the sources, and preservatives of national wealth; and a government of an opposite character, as among the most efficient causes of national poverty. I know* of but one remedy against the faults of a government—the right of discussing before the public fully and freely, the motives and the tendencies of the public conduct of public men; not in a legislative assembly merely, but by means of a free press; as a *right*, open to every citizen who thinks he can exercise it for the public good.

CHAP. 3d —ON PROPERTY.

All rights are the creatures of society; founded on their real or supposed utility; and requiring the force of society to protect them. All duties and obligations arise from our relations to each other. The very terms, rights, duty, obligation, law, are relative, and would lose their application to the sole inhabitant of a desert island, like Robinson Crusoe. Horne Tooke's etymology is well founded. Right is, *rectum, directum*, from *regere, dirigere*; that which is commanded, ordered, directed. To be effectual, it must be the command of a competent authority—of a superior who has the means of enforcing it. A right abstracted from the power necessary to protect it, is a non-

* When Madame de Stael complimented the Emperor Alexander, by saying that the goodness of his head, and the goodness of his heart were sufficient guarantees to his people for the goodness of his government; he replied, if it be so, it is no more than a lucky accident not to be relied on; for the compliment may not be applicable to my successors.

entity. A right founded entirely on the power of ordering, commanding, directing, wants the great principle of voluntary acquiescence founded on a conviction of its utility. All laws therefore, are the directions and regulations of a body of men combined for mutual convenience into a society or community, prescribing what is for the common good, and enforcing obedience by their combined power. It may not always be true that laws are in fact of that description; but they are always presumed so to be, in whatever manner they are enacted.

In the early and savage states of society, strong men, would find it easier in many cases to acquire food, or cloathing, or weapons, by forcibly robbing the weak, than by the painful exercise of their own exertions to obtain them otherwise.

In all savage states of society, among men who do not feel the necessity of mutual union, nor any dread of the application of the united force of the community to protect it, this principle of robbery is a propensity of our nature constantly exercised; and so common in its exercise; that it has received the sanction of ignorant and unreflecting men in every age of the world; and in no age more than our own.

In the early history of Greece, a pirate was more honorable than a merchant. Nestor enquires as a matter of course of Telemachus in the 3d book of the Odyssey, are you merchants seeking for gain by commerce, or are you pirates engaged in some plundering voyage? In all antient governments, war for the purpose of plunder; or of acquiring captives; or of acquiring territory; was carried on without scruple, and without reprobation. It is civilization only that has attempted to separate right from power. The Roman empire was exclusively founded on plunder, from the earliest period of its history, to the latest. The wars of Europe from Charlemagne to Louis 14th, and from Louis 14th to the Holy Alliance; have mostly originated from the same motives; and deducting the monopoly wars of England, entirely so. All monarchs und monarchies are yet in a savage state. They seem to have no bond of union but mutual protection in plunder. Theoretical writers like Grotius, Puffendorf, Barbeyrac, Heineccius, Vattel, Rutherford, Burlemaqui and others, boast of a law of nature and of nations. There is no such thing as a law of nature or nations existing. When was it enacted? By whom? or by what power has it been sanctioned? What is called

the law of nature, consists of systems fabricated by theoretical writers, on a contemplation of what might be usefully acknowledged among men as binding on each other. The law of nations is the same. It exists no where but in the closest speculations of well meaning writers, as to what might be usefully acknowledged by monarchs as binding with each other. The only practical attempts to establish a law of nations, were the "armed neutrality" set on foot by the Empress Catharine of Russia; which was renounced within a very few years by every party to the compact; and the present Holy Alliance, based upon the presumed rights of legitimacy: which, God confound!*

In the early savage state of society, it is manifest however, that the necessity of combination among the weak to protect each other against the strong, would give origin to associations of men, and develope the first germ of political communities. This is manifest among our American Indians. They have no written laws; but exclusive property in all things that their state of society requires to be made so, has been forced upon them by its obvious expediency, and enjoined by all on each other. Land being in abundance compared to the population, has never become the object of exclusive property among them, except a large district claimed as the hunting ground of the tribe.

Property implies the existence of capital. The deer skin, the parched corn, the jerked venison, of an Indian cabin, the cabin itself, is the property of the owner; being the result of his own labour, and his accumulated savings out of former acquisitions. He has laboured beyond what his immediate necessities called for, and his wealth consists of what has not been consumed. He may now labour for what is merely convenient, during the time that his accumulated food will maintain life. All *capital* then, from the very outset of society, is the result of saving and accumulation.

* I agree in opinion with two tyrants. Thus, Frederick of Prussia lays down the following directions for his professor of public law: *Toutefois il avertira la jeunesse que ce droit public, manquant de puissance corrective pour le faire observer, n'est qu'un vain fantôme que les souverains étalent dans les factums et dans les manifestes, lors même qu'ils le violent.* Thibault, souvenirs, &c. v. 5, p. 159.

Buonaparte expressed nearly the same sentiments to a deputation of the University of Leyden, headed by the Professor of Public Law. See Eden's historical sketch of international policy. London, 1823, p. 50.

He may make bows and arrows, or he may trap beavers and otters for their skins; he may exchange these for some other article wanted or wished for. Hence the origin of *barter*, and of *exchangeable value*.

The capital thus accumulated is *Wealth*.

His anxiety to be protected in the enjoyment of this wealth and the similar anxiety of others in like circumstances, induce them to propose regulations binding upon each other for that purpose; hence the origin of *Laws*.

Some common power to wield and direct the strength of the community for this purpose, as well as for defence from external attacks, gives rise to *Government* and the first feature of civilization. It is to exclusive property therefore, (and to the institution of the marriage contract which emanates from it) that we owe every thing valuable which society has bestowed upon mankind.

Landed property would not exist till the hunting and pastoral life had ceased to exist, and the land had been taken up and appropriated by individuals. The mode of doing this, and the regulations under which exclusive property in land would be recognized and protected, would of course depend on the various habits and modes of thinking of the people constituting a community. In most parts of Europe, the laws relating to landed property, proceed on the supposition that the whole of it is conquered country; granted out by the generosity of a chieftain to his followers, according to their respective order of merit; to be held of him on conditions that when broken, occasioned an escheat on forfeiture of the grant. Originally they were life estates, afterwards made hereditary on the same conditions. This is the main spring of the feudal law: a law not unknown to the conquerors among the asiatic monarchs; and which seems naturally to emanate from the nature of conquest. The revolution of this country has annihilated the obligation of personal allegiance to a reigning monarch (the slavish doctrine of Calvin's case,) and converted all the feudal tenures into allodial rights: tho' our legal system is still cursed with the metaphysical quibbles of feudal jurisprudence.

But whatever be the existing regulations concerning property, particularly landed property, in any country, they are the mere creatures of society, from which alone they can derive

protection and security. In a perfect state of nature, I can discern no right but the right of the strongest. In a state of society, rights are conceded because they are found or presumed to be necessary or conducive to the well being of society; they are protected by the force of the community; and they may be abrogated whenever it can be clearly shewn that they have an opposite tendency.* I know not upon what pretence error and injustice can claim the privilege of the laws of the Medes and Persians which alter not. *Cessante ratione, cessat et ipsa lex.* But this abrogation, must be accompanied with reasonable notice, and with as little injury to individuals as the nature of the case will admit. In no country whatever is this so well understood and so honourably practised as in Great Britain; where no reform of existing abuses, is ever contemplated, but on the principle that those who are supported by them as innocent parties, shall enjoy in reasonable measure their existing emoluments during life.

This profound consideration for the rights attached to property, is one of the most decisive evidences of high civilization, and one of the most efficient means of promoting national prosperity: for it is absurd to treat of national wealth, where individual property is not held by the proprietor in full conviction of perfect security, under the conditions of tenure prescribed by law; by law enacted indiscriminately for each member of the community without privilege or exception. The right of posthumous bequest—of making a testamentary disposition, is for the same reason a mere creature of society. We know by experience that a man will be stimulated to more severe and persevering exertion, when he is permitted to bequeath the effect of it to his children and near relations, than if he were to labour for himself alone. All the social feelings are gradually generated from the selfish ones: and in the decline of life, are much more powerful. This has been well shewn by Hartley in his admirable work "ON MAN." A work more extensively applicable to metaphysical, moral, and medical knowledge, than any other I know of. Hence the right of making a will is founded entirely on the permission of the law; and is meant as a stimulus to

* See Sir James M'Intosh's triumphant argument on Church Property in his *Vindiciæ Gallicæ*. Will not the whole doctrine of *nudum pactum* apply to this question, to pensions, and to sinecures?

industry, and a faithful source of production and accumulation, that would never take place without it. If a man in a state of nature has no rights but the right of the strongest, what rights can a dead man have, who is no longer connected with this world or any thing in it? * The world belongs, not to those who having enjoyed it their appointed time are dead; nor to those who are not yet born, but to the living. Hence, to all investigations concerning the sources, the distribution or the accumulation of wealth, the preliminary enquiry is necessary, whether the laws of the country protect the citizen sufficiently in the acquirement and the accumulation of property, and in the disposal of his property when obtained. If they intermeddle needlessly in the honest acquirement of wealth, by legislative directions, restrictions or prohibitions—if they needlessly interfere with the disposal and expenditure of it, though this expenditure may not take place as prudently as might be wished—or if they needlessly prevent the testamentary distribution of it, although that may be occasionally guided by injustice, partiality, or caprice—they detract in the same proportion from the stimulus to industry and exertion. Who will labour for those who are to be his heirs by dictation of law, framed by persons who have no fellow feeling with himself? Who will be at the pains of acquiring, who is prohibited from enjoying? what energy can there be among a people whose every motion is watched and trammelled? In a man who is kept in leading strings, and all whose expenditures and bequests are regulated by men who are utter strangers to him, to his tastes, to his loves, and to his hatreds? The dreadful evil of all governments (I wish I could except our own) is the evil of governing too much. This is among the constant and distinctive characters of tyranny and of ignorance: this propensity to exercise power merely because we possess it; and the taking for granted that we actually know *ex officio*, and by intuition every thing that we ought to know, before we enter upon our duties.

To render property of whatever description secure, it is

* I disapprove the civil law restriction adopted in France and elsewhere in Europe, where a man having one child, can dispose of one half his property only: if two, of one third; and if more he has the *quarta pars* only at his disposal. Full freedom of disposing of what has been acquired, is essential as a stimulus to acquirement. Children may be safely left to the operation of parental feelings: a sufficient check against misconduct ought to be left to the testamentary disposition of the parent.

necessary, not only that the law should bear equally and impartially on the whole community, but also,

1. That a power should never interfere in the disposal of it, but according to some general law, cautiously enacted and previously known.

2. That no law should be enacted restraining or controuling the progress of acquisition or the liberty of disposal, but what the good of society plainly and imperiously calls for.*

3. That the principles of the law enacted should be equitable, impartial, plain and intelligible to every citizen of reasonable information, and should contain nothing mysterious either in principle or process.

4. That lawsuits should be rendered as free from expence, and of short duration as possible. They are taxes on the poor in favor of the rich, in proportion as they are expensive.

It is manifest that on these points, much remains to be done even in the most enlightened nations upon earth. The medium between the mystery and protraction of laws and lawsuits in free governments, and the careless dispatch of despotic tribunals has not yet been hit upon. Nor has any attempt yet been made, to render the emoluments of a judge dependant on the compound ratio of dispatch and correctness of decision; a problem in my opinion somewhat difficult, but not impossible to be resolved. In the present state of the law, and of the administration of the laws in Great Britain and this country, it can hardly be said that property is well secured. The decision of a cause too often depends on forms of proceeding, rather than on the merits of the question. Perhaps it would be right to subject all laws enacted, to a decennial revision, correction and condensation, under a

*.Perhaps I might well add, what the manifest principles of morality require. For instance, can a tax upon gambling houses be defended? Look at those of Paris, and reflect on the misery, poverty, desperation, and suicide which they occasion. Can lotteries be defended? Especially in this country, where our financiers are not driven to their wits end to find out the ways and means for the year. Even the clergy, alive to all the sources of emolument, seem not averse to build churches by lotteries! This is calling in the good offices of the Devil, to aid in building the house of God.

Would not morality justify much more strictness in licensing distilleries, and especially tipling houses? But our maxim seems to be *querenda pecunia primum: virtus post nummos*

committee periodically to be appointed for this express purpose. If upon every law and clause of a law, such a committee of revision were to put the previous questions "Is this law necessary?" and act accordingly—the beneficial effect in any given country upon the face of the earth, would be incalculable.

I say nothing at present of the institutions of society calculated for protection without, and the maintainance of order within, as these form the subjects not of political economy but politics. Nor does my present enquiry lead me to go into any detail on the other subject just touched upon. It is sufficient here to notice the indispensable importance of security of property: 1st, By equal, impartial, and intelligible laws for its protection; and 2ly, the absence of all laws that interfere with its acquisition or expenditure, unless in cases too plain to admit of discussion.

This feeling of the security of property should pervade the whole community: for who will be at the pains of saving and accumulating for posterity, in countries like the East, where the laws do not obviate the feeling of insecurity? In such a country, "let us eat and drink for to-morrow we die," would be the dictate of wisdom. In such a country it would be absurd to talk of the production, the distribution, and the useful accumulation of national wealth. In such a country, political economy, are words without meaning.

In the disposal of landed property, two opposite evils seem to be dreaded, arising from the opposite characters of the laws that protect or discourage the right of primogeniture. In the monarchical countries of Europe, estates are apt to accumulate far beyond what the expedience of society requires: as the estates in England of from 10,000 to 120,000*l.* sterling per annum. In countries, as in France, where estates (by the laws for distributing the estates of intestates) are subdivided till they do not yield a maintenances for a family, they become too small. In such countries, there can be no spirited agriculture; no great expense incurred with a reasonable view to an encrease of produce that will amply repay it: there can be no experiment without surplus capital: no improvement without experiment: nothing good results from penury approaching to want, among the agriculturists of any country. The greater the produce, the more people it will support; and produce depends on capital expended in labour, in manure, in labour saving machines, in cattle, in fences,

tools and farm buildings. The produce of England in agriculture has doubled within a century. The average crop of wheat of England is at least twenty-five bushels an acre: the average crop of Mr. Coke's estate in Norfolk, is thirty-five bushels an acre. I believe it is as much in the Isle of Wight. The annual value of the produce of garden ground within three miles of London, is from £250 sterling to £400 per acre, as appears by Mr. Middleton's agricultural survey of Middlesex. All this is the effect of capital, judiciously expended; and without capital these improvements could hardly have been contemplated.

Perhaps no country ought to permit an estate of mere farming land, to be divided lower than one hundred acres. In other respects it would be safer to leave the proprietor to the influence of those feelings which nature has not implanted in vain; and which will for the most part be modified by the habits of society, generated by circumstances of expedience. If the state of society be favourable to a preference of the oldest son, that preference will take place without any law to compel it. If not, the laws are needless and unjust. In our own country we use the writ of partition; and call a jury of Inquiry to value the land which cannot conveniently be divided, and assess the money to be paid over by the person who takes it, to the co-claimants.

Where the right of primogeniture is established, the accumulation of capital affords the means of effecting many useful objects that could not or would not be effected without it. The country is more embellished, art and science more effectually encouraged and promoted, and knowledge and literature more generally diffused: but the amount of talent, of energy, and productive exertion, and all the substantial comforts of life are assuredly in greater abundance, where primogeniture is *not* established by law: nor are we offended so frequently in a country of this last description, by the disgusting vicinity of enormous wealth and squalid poverty: and if luxuries are more scarce, the comforts of human existence are more abundant, and the moral habits of society less likely to be exceptionable.

CHAP. 4.—WEALTH—RICHES.

I have in my definition confined Wealth to material objects, to things, obvious, and tangible. I do not mean to say that the

trade in a man's fingers (as the expression is) the trade he has learned by five or seven years exclusive application—the knowledge of a lawyer, a physician, a manufacturer, an engineer, is not wealth. The art of a music, a drawing, a dancing, a fencing, master is wealth too. So by legal decision is the good-will of a tavern. But value of this kind, is too fugitive and irregular, to class with permanent, material, appreciable objects: objects that can be estimated by every one, and that remain when immaterial wealth is no more. Nor is the distinction easy to be drawn. The affections of our wives, our children, our relations and friends, are necessary to our comfort; they gratify a natural and indispensable want. Yet it would be metaphor only to call them wealth. A man is said to be rich in his family and friends; this is always considered as a figurative expression. Nor could we enter into an investigation how and why it is that a knowledge of law, or physic, or music, or dancing should be considered as wealth, without diverging into too much collateral investigation. Hence I coincide with Dr. Malthus, we must narrow the bounds of our enquiry and be content with the more popular acceptance of the term, including objects about which there can be no controversy and no mistake.

If however we are determined to include the skill of a professional man, of an artist, a man of science, or of literature, the fair value of it, is the prime cost; that is the capital consumed, and the labour absorbed in acquiring it. Thus, a *lawyer* requires besides a common school education, at least four years residence at a college, and three years study afterwards with a practicing lawyer, before he is *properly* qualified to have the care of other men's property confided to him. He ought to be at least twenty-four years of age before he is permitted to practice: upon these data is to be valued, the skill which he sets out with, to earn his living in the world. The expence of educating a *physician* ought not to be less. I should consider in this country a *well educated* young lawyer or physician, as having cost four thousand dollars before he begins his practice; including one thousand dollars for professional books. It is true, lawyers and physicians among us, are manufactured at cheaper rate; so much the worse for the public; who in the end pay very dearly for the deficiency of these half informed, half educated practitioners.

According to the French economists, wealth is the useful product of the soil. This would exclude all manufacturing and all commercial products.

According to Adam Smith, wealth is the result of land and labour. Be it so. But this does not tell us what wealth is. The cause is one thing; the effect is another.

According to Lord Lauderdale, wealth is every thing useful and delightful to man. This is too vague. A mere compliment, if well timed, may be both the one and the other: it may serve our interest and gratify our vanity: but surely the term wealth, thus applied, would be misapplied. It may by accident be productive of wealth to us, but this is an accidental result only; the compliment itself is not wealth.

I have therefore confined the definition to material objects, calculated to administer to our necessities, our comforts, or our enjoyments; that is, to our wants. I have added, that they must possess exchangeable value—value conferred on them by skill, capital, and labour; so as to make them in demand among other people.

Air, water, light, are natural material objects, well adapted to satisfy our most immediate and pressing wants. But they cannot be appropriated: they cannot (unless under certain circumstances) be exchanged for any other commodity; for they are open and common to every human creature; who can obtain as much of them in their natural state, as his wants require. When air is confined by art, as in the blast of an iron furnace—when water is confined by a dam, or can only be procured from a deep well—when light is produced by a gas-apparatus, they become objects of art, and may have artificial value conferred on them in addition to their natural utility: but it is obvious that they are valuable under these circumstances in consequence of the application of skill, capital and labour to them. It is in virtue of this utility artificially created, and by this alone they become items of wealth. Value therefore, artificially conferred,* is a necessary part of the definition of wealth: for no ar-

* There are a few exceptions to this statement that may be noted without being dwelt on. A man may find a lump of gold or a diamond, without previous seeking or expectation.

In conferring value; the skilful direction of the productive agency of nature, is always implied. As of climate, soil, air, water, &c. Our greater skill in directing these, is one of the great benefits conferred by science on modern times.

icle can be considered as wealth if you have more of it than you need, unless you could exchange it for some other article of equal value that you are in need of.

CHAP. 5.

ON VALUE. INGREDIENTS OF VALUE. EXCHANGEABLE VALUE. MEASURE OF VALUE.

Value consists in the utility artificially conferred on any material object, by which it is rendered capable of contributing to human necessity, comfort or enjoyment. All productive labour, therefore, is not productive strictly speaking, of a material object, but of the value combined with and conferred on the raw material: nor is utility the same as value, unless it be artificially conferred. Air, water, fire, have utility, but no value. You cannot sell or exchange the air that surrounds you, though life cannot proceed without it. The ingredients that give origin to value, are capital, labour, skill, and perhaps in some few cases, rent; a subject to be separately treated.

No raw material, in the state that nature presents it to us, has any present value. It has merely the capability of receiving value at the hands of *human labour* exerted to create value or utility, and to combine it with the raw material.

To do this, there must be work shops, tools and implements; and the workman must be supported till his work be finished. All this requires *capital* previously accumulated, and which provides the necessary tools and food.

But the labour must be conducted and the the tools and implements used with foresight and *skill*, so as to produce the effect intended.

The raw material is in almost all cases the produce of the soil; and as raw material bears a price proportioned to its capability of receiving value, the land that produces it will bring a *rent* sufficient in amount, in some cases, to enter as an ingredient into the price of the finished article. As in mines, stone and marble quarries, porcellain earth, land producing precious stones as the agates of Andernach, Buhr stone, &c. I say in almost all cases, because a fisherman on the banks of the Newfoundland pays no rent, though the tenant of a shad or a sal-

mon fishery does. When I come to speak of rent as applied to agriculture, I shall shew that it never enters into the price of farming produce, and why. But the ingredients of value, are not exactly synonymous with price. Whatever enters into the cost of the article, must of necessity form one part of the ingredients of its value; but the price demanded for the finished article may be calculated on a part only of the ingredients of value; for rent may be too trifling to be appreciated. But as the raw material cannot in many cases be had, unless it be purchased, the price given for it *may* form one of the ingredients of its value, when finished by the skill of the workman. The raw diamond is often of far higher price than the labour of the lapidary bestowed upon it. The raw material, therefore, which is the substratum and support of the value given to the finished article, must enter as one of the ingredients of value, if it cannot be procured without being purchased in the first instance, either for a given price paid down, or in the form of rent for the land that produces it.

The greater the quantity of capital, skill, and labour necessary to produce the article in a marketable state, the greater is the prime cost of it: and if none of these items have been misapplied, the greater is the value produced.

All these ingredients are, in fact, reduceable to mere labour of the most simple kind. For the "capital" consists in the labour necessarily expended in building the work shops, and forming the tools and implements. Labour is in like manner necessary to acquire the "skill" employed; and provisions are the mere result of "labour" expended on the produce of land, in the form of human food. All is reducible by ultimate analysis and in fact, to labour exerted without skill. Generally, labour is expended on a raw material in conjunction with capital and skill. Such labour is of course more costly—of higher value. As the labour of a watchmaker, compared with the labour of a spade man. But all seems reducible to simple labour, as the ultimate term. Even rent may be considered as so many days labour: it was often so considered in feudal times; it is often now, and always may be receivable in that form; and a monied rent may be converted into it. In cases of labour-saving machines, they are resolvable into labour, capital and skill; and as these are resolvable into mere labor, so is machinery.

When a valuable article is thus produced for the purpose of exchange, the average profit of capital is added to the prime cost: so that the cost of the raw material, the wages expended in skill and labour, and the usual profit on the capital so managed and employed, adding the legal interest, forms the *natural price* of the article; or that price which it must produce, or else the capital after some few trials, will no longer be employed on a commodity that does not bring in the usual profit, as well as the cost expended.

This natural price, resolveable into the labour worked up and combined with the article, has been, among other things, considered as *the measure of value*. But expence may be laid out on an article which is not saleable at all, and therefore has no value.

The actual *measure of value* of any given product, is the exchangeable value. This, by the operation of currency—circulating medium—or the standard of the country to which all value is by common consent referred, is the amount of money it will fetch in the market. For that money, is the exponent of the other articles that may be had in exchange, and is therefore the exponent of the exchangeable value of the article in question, at any given time and place.

This money price will fluctuate, with fluctuation, in the character of the circulating medium—or in the market price of bullion—but principally according to the demand and supply. About forty years ago, ribbands for shoe-ties, began to supersede the use of shoe buckles, which have been gradually driven out of the market, not being able to produce half their prime cost; in fact, not being saleable. The demand has ceased. At this moment, there are not one hundred pair of shoe buckles on the continent of North America.

Hence although by analysis, the measure of value can be resolved into mere labour, such as that which is exerted without skill or appreciable capital, as that of a digger of the ground—yet, in fact, the practical measure of value at any given time and place, is the then current or market price of the commodity—the quantity of labour it will produce to the seller.

Hence also, although the value in use, may depend mainly on the cost of production—and although the natural price be the prime cost plus the profit on the capital employed—and al-

though these must be remunerated in order to a regular supply of the article in the market—yet the demand for the article compared with the supply, regulates at the moment, the exchangeable value, and is the great source of fluctuation in the market or the measure of value for the time being. The purchaser never asks the seller, what has this cost you? He asks himself, do I want it? What can I afford to give for it?

Hence again, the propriety of regarding exchangeable value as one of the ingredients of wealth. Suppose value given to an article at the expence of one dollar, and equal value of the same kind given to another article at the expence of ten cents, as in the case of a silver buckle and a shoe string; the want of demand for the buckle, annihilates its exchangeable value, and renders it a commodity useless in the hands of the producer, and therefore wanting that ingredient in which wealth mainly consists. If a man had a million pairs of buckles that cost a million of dollars, they would be of no value, for they would not be saleable or exchangeable till converted into some saleable form, and destroyed as buckles.

An article, product, or commodity, may have cost much in the production—its natural price that it ought to fetch in the market may be considerable—the utility conferred on it by the expenditure of prime cost may be considerable—its value founded on that utility may be considerable—and yet the article may be worthless when referred to the common measure of value, if it have not value in exchange—if it be not in demand. If nobody wants it, it cannot be said to possess any value in fact, however costly, or however well adapted to supply wants, if those wants can be better supplied by other means. Who would purchase one of Savary's steam engines now?

Neither does the exchangeable value always depend on the prime cost, or on the natural or necessary price, under circumstances where demand does not operate; contrary to the opinion of Mr. Ricardo. For scarcity enhances the exchangeable value, demand remaining unaltered. So does monopoly. So do bounties upon production.

Machinery on its first introduction, lessens prime cost without altering exchangeable value.

So do abbreviated processes, or technical knowledge suddenly increased.

In all these cases the prime cost, and of course the necessary and natural price, do not operate on the exchangeable value, although the profit of the owner be enhanced for a time by the circumstances above enumerated.

Two theories of exchangeable value have been proposed of late years. That of Dr. Adam Smith and Dr. Malthus, which considers it as varying with scarcity or abundance of capital, and scarcity or abundance of demand and supply.

That of Mr. Ricardo, which considers the labour accumulated on any commodity, as the measure of its exchangeable value: and considers that as a standard of value, which invariably requires the same quantity of labour to produce it.

According to Smith and Malthus, the fluctuation in value of the commodity, depends on variation in its own value or utility.

According to Ricardo, on the varying value of labour.

The measure of value, according to Smith and Malthus, is the quantity of labour the commodity will purchase.

According to Ricardo, it is the quantity of labour worked up into it.

It is evident from what I have said, that I do not entirely agree with Ricardo. No purchaser cares a cent what the prime cost of an article is: that is not his look out. His only enquiry can be, is it worth to me the price asked for it?

It is true, the natural or necessary price must be obtained, or the market will not be permanently supplied. What then? If the buyers do not want the article at the price demanded, they will leave the market to its own hazard.

Hence it follows, that although the natural or necessary price—the amount of labour worked up in an article brought to market, is the *permanent* regulator of its market value, this value will fluctuate in all cases with the fluctuation of demand and supply. These fluctuate by means of commercial restrictions and prohibitions—by means of monopolies and exclusive privileges—by improvements in the mode of production—by speculation.

Thus, what raised the price of cotton in 1825? Surely not the expence attending the cultivation of it, but the speculations in the cotton market.

It has been deemed desirable to ascertain some fixed standard and measure of value. I therefore recur to the subject.

Labour has been considered by some economists, and *Wheat* by others, as conveniently supplying this desideratum. By others, both together have been proposed for this purpose; for they are both indispensable to our wants, and their price is not subject to great fluctuations.

But I see no advantage they possess over the common circulating medium, or the coin of a country; which seems to me to fluctuate quite as little, within moderate periods of time. Nor is it well settled whether the amount of labour expended on production, or the amount of labour attainable in exchange, be the most eligible measure of value. The first may be increased without encreasing the market value, if the labour of production be encreased likewise on the commodities offered in exchange. The labour obtainable in exchange, is sufficiently represented by the money price.

A measure of value to be unobjectionable, should have no intrinsic value itself: it should not be a marketable article, besides being a standard of reference. But I know of no such commodity. Labour, grain, coin, bullion, all have intrinsic utility and fluctuate in value. Perhaps labour least of all, when considered through a considerable extent of time. But it varies greatly in different countries, at the same moment according to the style of living, and the freedom enjoyed by the people. For instance, in Arthur Young's time, when the mere labour of a day labour in England was eighteen pence, it was six and a half pence in Ireland: probably about three pence in Russia, and one and a half pence in the East Indies; and in North America two shillings sterling.

Paper money has characters that tend to qualify it to become a more eligible measure of value than coin; but till we have found out how to dispense with the counter check of payments in gold or silver, which as yet are absolutely necessary to prevent inordinate issues, paper will always remain a suspected medium, and will want one of the main requisites of a perfect standard. I see no reason therefore for the adoption of any other measure of value in our reasonings on the subject, than the market price of an article at a given time and a given place, in the usual circulating medium of the country, whatever that may be; which is the exponent of the quantity of labour which

the article will produce to the seller. Whether this be accurate as a theoretical increase of value or not, it is in fact conformable to universal practice, and the words of Hudibras are true:

The worth of every thing
Is just as much as it will bring.

With this we must be content; for there is no reason, as yet, to believe that we shall possess a permanent unchangable measure of value, not saving merely for the present, but for time to come.

CHAPTER 6.

ON PRICE: ON PROFIT: ON DEMAND AND SUPPLY.

I have already indicated the ingredients of *prime cost*, viz: rent in some cases, or price of the raw material; labour; skill; interest of capital. Add the customary profit on capital, and we have the *natural price*, so called by Ricardo, because it must be repaid, or the producer incurs a loss. It is called *necessary price* by Malthus, because, there will be no supply of the article in the market, if it do not yield the usual and regular profit.

The rent may be considered as the same with raw material in fact, because, strictly speaking, raw material is the rough produce of the soil; but in common language, where accuracy is not attended to, an article that has had much labour expended upon it, is sometimes called a raw material, as cotton, bar iron, copper in sheets. The cotton, when ripe, is gathered, is picked, is ginned, is packed, is freighted to the foreign market; where it goes under the denomination of raw material. All this amounts to labour, skill, and capital combined with it.

Interest of money is a part of prime cost, for the capital employed in producing the article might have been loaned at the usual interest. But when the producer, charges on the article as part of the national price, the usual profit that capital managed with care and skill will bring, than he fixes the average price at which he can afford to sell the article. This profit must cover, interest of the capital, care in the management of it, risk of sale at the market, and risk arising from selling on the usual credit (that is the average proportion of bad debts.)

It must also cover expence of transportation, and insurance against loss by accident.

This profit on capital, will be less, in proportion as the country is wealthy, and capital seeking for employment abounds in it. Profit on capital in our own country, calculating legal interest as part of the cost, may be considered from fifteen to twenty per cent: in England it hardly exceeds twelve and a half per cent. The rate of interest at which money can be borrowed, will bear a portion to the average profit of capital: for it depends on capital being in abundance in the market. Thus the nominal and legal rate of interest in South Carolina is seven per cent: in England five per cent. The real rate of interest in South Carolina is six per cent: in England, at this moment, four per cent, on good security. When capital does not find ready employment at home, it goes abroad: thus the English are now trying to work the silver mines of Mexico; and they loan money to every nation in Europe.

Hence, the rate of profit depends, in some measure, upon capital and the means of employing it. If the means of investing capital profitably, continue the same, the rate of profit will continue the same also. If there be more means of employing capital with profit than there is plenty of capital to be employed, profits will rise. If capital become more abundant than employment for it, capital will fall. Profits fall most rapidly when over abundant capital is accompanied with decreasing demand.

All this follows the invariable laws of demand and supply. Hence also the encrease of capital renders (in proportion to that encrease) the difficulty greater of finding employment for it at usual rate of profits. This state of things has a tendency to produce its own remedy, as in England where the present lowness of profit, and superabundance of capital, by lowering the prices of commodities, has extended the market (i. e. the demand) for English manufacture, till it embraces near y the whole world. It is manifest that profits decrease in some ratio, as capital becomes more abundant from the variations in the rate of interest. For interest is the profit on capital, where no skill, or risk, or management, is required. Interest is at least two per cent higher with us than in England, and probably three per cent higher than at Amsterdam.

Any sudden encrease of the price of labour, owing to some sudden demand, is always a defalcation of the profits; for profit and the labour worked up in the article, are the elements of price: when one rises, the other falls, price continuing the same. For instance, suppose a bushel raised upon land that pays no rent, or so little as to be insignificant: the value and the price are manifestly made up of wages and capital, and nothing else. But this is the case, whether rent be paid or not, for rent is the surplus, after wages and capital are deducted. The rent or surplus goes to the land owner, the wages to the labourer, the profit to the capitalist. Rent being therefore perfectly independent of price, when the profits of the capitalist fall, the proportion of price received by the labourer is greater; when wages fall, the profits rise in proportion for the same reason. This holds true throughout the whole of agriculture: and extends to all other cases, except where the rent or cost of raw material is so high, as to form a feature in prime cost too heavy in proportion to be passed over.

Market Price. The amount of money which the commodity will bring, when exposed to sale, depends permanently on the cost of production; but partly on demand and supply: which constantly vibrating, occasion the market price to fluctuate also. Demand, is the will, combined with the power to purchase. Supply is production with a view to sell, and a desire to sell. The general laws of demand and supply may be expressed thus:

Let the demand	= 10:	the supply	= 10.	The price, stationary.
Demand	= 9:	supply	= 10.	Price falls 1-10th.
Demand	= 10:	supply	= 9.	Price rises 1-10th.
Demand	= 5:	supply	= 10.	Price falls 1-2.
Demand	= 10:	supply	= 5.	Price rises 1-2.

For, let there be one thousand bushels of corn exposed for sale; and purchasers who come with a determination to buy corn, and bring one thousand dollars to market for this purpose. It is clear that if there be no more corn to be sold, and no more money to buy with, the price will be a dollar per bushel.

Annihilate half the money: and two bushels of corn will be set against one dollar. Annihilate half the corn: and two dollars will be set against a bushel. But the fears and apprehensions of buyers and sellers, usually enlarge these proportions:

Hence, a brisk demand often excites an excess of supply at the next market, and the price falls in proportion: or a small demand induces a more scanty supply, and then the price rises again. If the demand and supply are not commensurate or nearly so, a vibration takes place in the market price, which experience and practice reduce for the most part within small limits.

Other causes of fluctuation in demand and supply, are:

Speculations in consequence of scarcity, real or apprehended.

Speculations in consequence of new markets suddenly opened.

Laws authorizing privileges and monopolies.

Laws laying restrictions and prohibitions in favour of, or against particular employments of capital, and modes of industry.

Injudicious modes of taxation; or great amount of taxation.

A rise or fall in the average rate of profit on capital.

A rise or fall in the wages of labour or price of provisions.

A rise or fall in the value of raw material.

War or peace.

Any other circumstance that encreases or diminishes the inclination or the power to purchase, or the inducement or ability to supply.

The fluctuations occasioned by labour-saving machinery are quickly regulated, by the more extended ability to purchase thus created, and the consequent extension of the market; which in all known cases has hitherto fully met the encreased supply. The working manufacturers suffer for a time, but are gainers upon the whole.

When by economy of labour—by machinery—by encreased skill—by encreased capital—by greater abundance of raw material—the prime cost and natural price of the article is lowered, a more abundant supply will seldom fail of exciting a more abundant demand, because the fall in price, will bring the article within the convenient purchase of many who could not purchase it before, and the market is enlarged. This has been the case in consequence of the introduction of machinery into the hardware. the cotton, the woollen, the porcelain manufac-

tures. The workmen do not suffer except momentarily, because a low price encreases the number of purchasers, and the market takes off a much larger supply. But when the natural price being the same, the market price falls, owing to supply injudiciously encreased, or to demand diminished, the consumer or purchaser gains at the expence of the producer. Hence, no fall in the market price can be permanent, but such as arises from those improvements that diminish prime cost.

Demand in the market will be excited

1. By the real utility, or value in use of the article: as a plough.
2. By the fancied or fashionable utility: as of a diamond.
3. By the plenty or scarcity of the article.
4. By the number of purchasers able and willing to purchase.
5. By the low price of the article compared with its utility.

Hence, the richer, the more flourishing are our consumers and purchasers—our customers—the greater will be their inclination to purchase.

Hence also, as every nation has commodities for sale in some degree peculiar to itself, every nation will find its interest in promoting the prosperity of every other nation. For this encreases not only the ability to purchase, but the ability to sell cheap. Hence, the prosperity of any one nation contributes to the prosperity of every other.

Hence, although high prices and great profits appear to go together, it is manifest that low prices and small profits are most advantageous on a great scale, because they encrease demand: they enlarge the market: they stimulate the inclination and encrease the ability to buy. An extensive market with low profits, is always more productive than a confined market, with high profits. England and France exemplify this.

Punctuality and fair dealing, encreases demand more than can be suspected. In Philadelphia or New York, a merchant importer can sell a bale of British goods by the invoice. The purchaser looks no further, but depends with implicit confidence on the invoice description of quality and quantity. No purchaser will buy a bale of French goods without examining every article. This is a decided advantage in favour of the British article of equal goodness and equal price.

CHAPTER 7.

REVENUE—EXPENDITURE—CAPITAL.

Revenue or income, is all that a man receives annually as the produce of his property, or of his exertions. What he spends or consumes of it, is *expenditure*: what he saves of it is *capital*.

Revenue may arise from landed estate in the form of rent: from capital loaned to others at legal interest: it may arise from capital employed in agriculture, in fisheries, in manufacture, in commerce, in trade, in handy craft labour, in the exercise of a profession, and other forms of industry. The portion of income spent and consumed, adds nothing to the wealth of the individual unless it be laid out in part in some object that remains, as a house, furniture, plate and so forth. The portion of income (or revenue) saved and accumulated as a capital to be invested with a view to future profit, is that alone which adds to the permanent wealth of an individual or a nation. Capital therefore, is wealth saved out of the earnings of former industry, and laid out with a view to future profit.

Capital consists of food, cloathing, habitation, machinery, buildings, utensils and all improvements calculated to contribute to future profit. Population depends on capital. Let the whole amount of circulating wealth in a nation, whether it consist of the expenditure of income without any view to accumulation, or the expenditure which looks to future profit, be represented by one hundred or one hundred million. Say that the expenditure of one hundred dollars will give permanent employment and support to one man, and one hundred million of dollars to support a million of men, and that the population is fully equal to the demand for employment which this expenditure creates. Suppose ten additional labourers without capital come into such a community, where are they to find employment? By the terms of the supposition, the expenditure can maintain no more: Hence, either ten men must go out of existence, or the expenditure must be encreased. But that kind of expenditure quod ipso usu consumitur, and which looks to no resulting profit, can give no such encrease. It is capital only, that accumulates by the profit it produces, giving rise by means of that profit to en-

creased expenditure, which gives employment, and therefore subsistence to additional people.

Capital depends on a prosperous state of society in other respects. No savings are made out of a very small amount of profits or low wages. When these are high, it becomes worth a man's while to save. The beggar is less saving than the labourer, the labourer than the tradesman, and so on. Hence there is no danger to be feared (as some have suspected) from the abolition of primogeniture. Savings are made neither by the very poor who cannot, or the very rich who need not save. They are made by persons who are in the habit of earning—of acquiring by industry, and therefore who do not spend idly.

Attendant upon encrease of capital, and the power of putting industry in motion is the rate of profit. For if capital and other things being equal, the rate of profit in one country is 15, and in another 10 per cent. the power of encreasing population will be one half greater in the former country. When capital encreases much beyond the facility of employing it, as has been the case in Holland and may be in England, encrease of population goes on slowly: whereas new countries like our own, where profits are high, population increases in proportion.

A fall of profits may not only be owing to competition of capitals, but to any thing that impedes industry, or diminishes the power of amassing capital.

The rate of profit on agricultural capital, is usually about 3 per cent. below the average profit on capital otherways employed. This is the opinion in England: but I know not the facts that prove it. The reason assigned is, the more assured dependence on seasons, and on a market for the necessaries of life, and the greater health, and satisfaction attending agricultural pursuits.

It is only in nations where the laws give absolute security to property, that capital can increase. In the despotic plundering governments of the east, men are apt to hoard up and conceal the savings made from their income, lest the reputation of wealth should expose them to danger. Governments of that description, like the dependencies of the Turkish empire, not only suppress all accumulations of productive capital, but they paralyze the expenditure of income; and tempt men to seem poor and live poorly, lest the appearance of riches should afford

a temptation to plunder. The rich hoard and bury their wealth: it produces no profit. No wonder such countries are gradually depopulated, when it is considered that from expenditure comes employment, from employment subsistence, and from subsistence population.

Let us still further consider the expenditure of revenue, and the comparative effects of unproductive expenditure and of capital, or productive expenditure.

A man is in the receipt of five thousand dollars a year, revenue. He consumes the whole of it in the form of annual expenditure: by this expenditure he gives employment and subsistence equal to the maintenance of fifty men. While he continues to receive this amount of revenue, and to expend it so as to furnish employment for fifty men, they are sure of subsistence; their numbers will not decrease, but they can never encrease upon this income. It already employs as many as it can employ.

Another man receives five thousand dollars a year: he consumes three thousand dollars as annual expenditure, and in the former proportion, he gives employment and subsistence to thirty men. He lays out for the purpose of future profit, (in the improvement of a farm, for instance) two thousand dollars, and maintains, by employing them, twenty men. During the first year, these two proprietors of revenue, support the same number of human beings. At the close of the second year, the two thousand dollars will have brought on this country twenty per cent profit, or four hundred dollars. Here the man who saves, provides for the permanent employment and maintenance of fifty-four men. If he goes on, living on his income of three thousand dollars, and yearly adding his savings to his capital, he will have the means at the third year, of supporting fifty-eight human beings, and so on in the same proportion. These human beings are brought into demand, are produced in consequence of the demand, are an absolute addition to the permanent population of the country, for if every other avenue to employment and subsistence be closed against them, this is open.

The person who consumes, in the form of annual expenditure or subsistence, his whole revenue of five thousand dollars a year, furnishes employment and subsistence to fifty men, but they can never encrease.

I have to note this difference of result here, in explaining the three forms of annual wealth, and the distribution of it; but I shall, though at the expence of some tautology, again bring these ideas into notice when I speak of Population, the most important subject of Political Economy.

Productive Capital, is capital thus employed to profit. *Unproductive Capital* is capital or savings hoarded and not so employed. *Circulating Capital*, is that portion of capital which is expended yearly in raw material, food, cloaths, fuel, tools, wages. &c. The phrase is frequently extended to annual expenditure, as well as capital; meaning the whole amount of what is spent in a nation in consumeable commodities, whether they be applied to the immediate gratification arising from absolute consumption, or the future profit from the employment of capital. *Fixed Capital* consists of the barns, stables, horses, ware-houses, machinery, working cattle, hedging, ditching, planting, &c. which do not require annual renewal; but are necessary to make the circulating capital productive of profit.

The national capital, consists of the aggregate of individual capital, together with the public buildings, store houses, stores and all the *materiel* or materials laid up for war. But these national items constitute so small a portion comparatively of the national wealth, compared with the aggregate wealth of the individuals composing a nation, that it may safely be neglected. For all purposes of reasoning, the aggregate of individual wealth, is national wealth. In fact, I wish it to be well understood and therefore I repeat it, that there is no such thing as a nation distinct from the individuals who compose it, and who live on the territory which they exclusively claim as their own. The reasonings applicable to twenty men, will apply to 50, to 100, to 500, to 5000 and so on, where no peculiar circumstances require it to be modified.

Hence, the men who save out of income; to accumulate wealth, however selfish their immediate motives may be, are instruments in the hands of providence to promote the permanent encrease and comfort of the great mass of mankind. In this way the addition of riches to riches, becomes also the addition of food, raiment, and habitation to population. The poor are the better for it. It is in this only way, that we can encrease and multiply and replenish the earth: for children procreated and

born, without the means or the prospect of future subsistence from future employment, (and nothing but capital can give it) must diminish wages by competition, encroach upon the necessities of life among the poor, or die of want of food or want of care, or of some among the many accidents and diseases attendant upon penury

To encrease and multiply therefore, the power of expenditure, is to encrease and multiply the source of population; by creating employment, and in consequence of it, the food and other necessities without which life cannot exist.

It is somewhat curious that all this is distinctly implied in a passage of the New Testament, hitherto deemed inexplicable: the parable of the *ten talents*, in the 25th chapter of St. Matthew's gospel. An enigma to those who know nothing of Political Economy, and a most useful lesson to those do. I have not seen this remark before, but I think the passage is unintelligible, unless on this supposition. The moral is, that capital hoarded and buried, instead of being applied productively, does not contribute its share to the wealth, strength, and population of the country, or to the sum of human happiness.

It is this accumulation of wealth in the form of capital, that constitutes a nation wealthy or otherwise; and that renders the civilized communities of modern times superior to the antient, by the facilities discovered of employing capital to perpetual profit. In all wealthy nations, there are temptations to expenditure, productive and unproductive, that find employment and subsistence for numberless persons who would not exist without that wealth. New divisions of labour, new sources of employment, form incentives to demand and therefore to industry—new springs of riches and employment for capital are perpetually sought for: roads are made, canals dug, mines opened, buildings erected, bridges thrown across every river, and public works of utility and ornament perpetually going on. Expensive experiments in such a country can be afforded, expensive machinery erected, and the beneficial power of wealth exhibited wherever we cast our eyes. Look at Dupin's account of Great Britain for full proof of this.

Capital when thus accumulated and profitably expended, or more properly invested on roads, railways, canals, docks, and public buildings of useful description—in clearing, fencing

planting—in tools, implements, engines, and the whole class of labour-saving machinery—dispense with so many human beings who would otherwise be necessary to the same result, that the disposable force of the nation is thereby prodigiously encreased. Some French author, about fifteen years ago, calculated the labour saved by the improvements of Mr. Watt on the steam engine, at one hundred and twenty thousand francs, upwards of twenty thousand dollars, per day. Had that great man been put up to auction, Great Britain might safely have bidden for him ten million of dollars a year.

I find the calculation about two years ago was, that the steam engines of Great Britain, save three hundred and twenty thousand horses, equal to one million eight hundred and forty thousand men, at five and three fourths to one horse. Suppose wages at two shillings sterling a day, this would amount to a saving of eight hundred thousand dollars daily. Mr. Watt may be considered as the creator of three fourths of this saving.—For a most ingenious exposition of the prodigious value of science, see Cuvier's reflections on the Progress of Science, 1816.

In 1811 the military and naval force of Great Britain was upwards of five hundred thousand men according to Captain Pasley's calculation. The volunteer corps and armed militia were two hundred and twelve thousand. A force quadruple that of the Roman Empire in the time of Augustus Cæsar; and which could not have been supplied, but for the aid of the labour-saving machines.

It was this accumulated investiture of capital in that island, and the great merit of their scientific men, that enabled the petty kingdom of Great Britain to compete with all Europe by sea and by land; to overturn the gigantic power of Buonaparte; and to recover from the national depression inevitable on the return of peace, with a vigour and elasticity that has astonished the world. To her scientific men who have directed the course of accumulated capital, she owes much indeed; and Lord Loughborough very truly averred, in a debate in the house of peers, that weighed in the scale of national utility against such men, as the Duke of Bridgewater, James Watt, Sir Richard Arkwright and Wedgewood and Bentley, the Lords and the Commons would kick the beam.

Until the days of Buonaparte, who, with all his faults deserved well of the French nation, the lazy, aristocratic courtier-like habits of the French people shut out all the avenues for the employment of capital. Trade, commerce, and manufacture, were disgraceful. If a man contrived to accumulate five thousand louis d'ors, he purchased a marquise, and existed as one of the lower order, of idle, proud, and privileged nobility. That country hardly afforded the means of saving, or the temptation to save, or the means of laying out capital to future profit. Hence annual expenditure absorbed all revenue; expenditure consumed in the most frivolous enjoyments, leaving no valuable memorial behind. If a tradesman worked, he worked for the noblesse, not for the populace or canaille. The idleness and folly of the upper ranks of society, pervaded all the lower classes; and the industry of shew, was preferred to the industry of use. Hence, the excellence of the French in all articles of ornament; in tapestry, in carpets, in silks and velvets, in ornaments of every description, in watches, time pieces, trinkets, jewelry, and every description of bijouterie.

In England, on the contrary, the popular cast of their government, and the importance of the people, gave a character of utility to all their exertions. Their manufacturers and tradesmen preferred the more extended market of the great mass of the nation, requiring useful articles of moderate price, to the more confined class of customers, who consisted of nobility, and the very wealthy proprietors of great rental. Nor is the facility of entering the ranks of the privileged orders in England so great as in France. Great personal merit, a long course of arduous exertion on the part of a commoner, is necessary to elevate him to the rank of the peerage. Mere wealth will seldom suffice. Hence a young man in England, with ten thousand pounds sterling, or fifty thousand dollars, thinks himself fortunate if he becomes, after regular apprenticeship, the junior partner in some house of established character; and tradesmen and manufacturers by no means of the most extensive connections earn more than the french nobles. It is to this influence of the political institutions of that country, on the character and manners of the people, that we are to ascribe the prudent good sense, the unexampled exertion the prodigious accumulation of wealth in Great Britain, where in the language of scripture, her

merchants take place with the princes and nobles of the earth. This it is, which has raised a territory not equal in extent to North and South Carolina, to the first rank among the nations of the civilized world, antient or modern.

The propensity to accumulate, though frequently counteracted, is one of the natural propensities of man. All labour is originally recompensed by the pleasure arising from the consumption of consumable commodities calculated to gratify our wants; by supplying our necessities, administering to our comforts and conveniencies, or contributing to our pleasures. We are at first induced to save for the present, that we may extend more effectually our means of consumption hereafter. By and by, another motive arises, that of supplying our children with the means of doing so too. Then another, the consideration in society which wealth gives, the power it confers of obliging others, and the respect paid to its possessor. In some persons, the desire of saving, that has thus originated, gives pleasure from the contemplation of the benefits attached to wealth, and men continue to accumulate, without the expectation of pleasure in the expenditure. Thus is the passion of avarice generated: which however odious in the individual when carried to excess, is useful to society. Hence we may conclude, that wherever the laws of society sufficiently provide for the security of property, the aggregate capital of society will assuredly accumulate.

CHAP. 8.—RENT.

As yet, in this country, we have not much to do with rent. But the age of landlord and tenant is fast approaching; and it will be a prodigious benefit to the nation, when the produce rent is converted into money rent. The system of *metayers*, common in some parts of France, and many parts of Italy, is a system belonging to an unimproved and defective state of society. It is an exponent either of a new country, or a poor country where facilities of transport and interchange, have not yet been sufficiently established. It has all the inconveniencies of the tythe system of England, creating a propensity to fraud, in the tenant, and suspicion too often reasonable, in the land

owner. It is the result of a state of society where labour and capital are scarce. Hence it is general with us.

In every country, the land of which it consists, is destined to be monopolized by the early inhabitants. First the good land; next the soil of inferior quality. Among us, such has been the rage for land speculation and monopoly, that the barrenest rock, is sure to have an owner. I use the term monopoly, because the quantity of land in a country is limited; and the quantity of first rate land still more so. But I do not mean that this monopoly is the same infringement of civil rights, or attended with the same deleterious effects, as monopolies granted by a legislature, or forced by dint of the skilful, but selfish management of large capital. Such as a monopoly of rice or opium in the East Indies, or of the necessities of life in a time of scarcity any where. But the monopoly of land in any one country, is a necessary effect of the laws of nature, in every country; and takes place every where. It is the necessary result of society and political communities; dependant on the limited quantity of territory, and the unavoidable propensities of human nature in those circumstances.

The land is the first object of speculation; and agriculture being the first pursuit in order of time, in every country, will absorb the labour and the capital of the community for a considerable length of time. Commerce, and manufacture, in natural order, are introduced afterwards: they are the offspring of labour and of capital beginning to be redundant and seeking for other employment. Hence, the rate of wages and the profits of capital, will take their first start from, and be regulated by the wages and profits of agriculture; modified as to wages by the difference of circumstances between the new employment and the old: the former in most cases requiring more skill. As every nation must be in a considerable degree agricultural, the general rate of profits on the employment of capital, will not only at first, but always depend, in a great measure, on the profits that agriculture can afford. Hence the importance of an enquiry into rent, to see whether, and if any, in what degree it bears upon wages and profits, or on the prices of commodity.

Let us see then, upon what principles rent is founded.

A land owner has more land than he wishes to cultivate, and he is desirous of making profit of it. A man acquainted

with the cultivation of soil, and possess of small capital, wishes to get a living by means of his skill, his labour, and the capital he possesses. The parties meet. By what criterion shall the rent be settled between them?

The landlord has no right to insist upon extraordinary rent, or the tenant upon extraordinary gains: they are both in the market; and the common principles of natural price, demand and supply, will regulate the bargain.

If the tenant by cultivating the land, obtains reasonable pay for his labour and skill, and the usual profit of agriculture on the capital he brings to bear upon it, he can expect no more. Usual and average wages, and usual and average profits, are all that he or any other person can have a right to look to, whatever business they are engaged in. When he receives these, he can afford to pay the land owner the surplus in the form of rent, for furnishing the means of making this average profit.

They each calculate in his own way, and according to his experience what this surplus is likely to be, and they bargain accordingly. If the land owner would ask more, it is not worth the while of the farmer to give it: if the farmer wishes to hire the land for less, the land owner will offer it elsewhere. Reasonable wages and reasonable profits, according to the usual average, is all that a man ought to expect to make. Rent is the surplus; that which is obtained over and above average wages and profits; and is the reasonable compensation of the land owner.

This is no hardship on the tenant, nor is it any imposition on the public: neither of these have a claim on the land equal to the claim of the land owner as recognized by the law.

As land is limited in extent, and as farmers are not limited in number, there is never any danger of rent being too low in a flourishing country, for the demand is sure to equal the supply; and on the principles of demand and supply, rent is usually regulated; until the rent demanded encroaches on the reasonable profit of the farmer. Beyond this it cannot permanently be obtained; for the farmer will not be able to pay it. The law of natural price interferes.

The more capabilities a farm possesses of yielding a profitable return for labour and capital employed upon it, the more rent a farmer can afford to give. As when the soil is naturally

rich and productive; when it is in the vicinity of a good market; when it is well supplied with wood and water for whatever uses they may be required, and so forth. Thus, rich meadow land near a large city, in England, will fetch five and six pound sterling, per acre; hop ground, in Kent, yields ten and twelve pounds rent, per annum. I have known ground on the banks of the Thames, overgrown with Osiers, let at ten pounds per acre, to a maker of wicker-baskets. Ground that with equal labour and capital employed, will yield twenty-five bushels of wheat per acre, is worth more rent than ground that will, under the same circumstances, yield only fifteen.

Higher rent, according to this account, is compensated by superior fertility—by more abundant produce. The fact manifestly is so: who would hire a mere sand bank at the same price as the most fertile ground?

If this be so, and if rent be the surplus that a farmer can afford to pay to his landlord, after allowing himself all reasonable expences, and a reasonable profit from the produce of the land, rent cannot enter as an element into the price of produce. Whether the rent be little or much, the farmer calculates that he must make prime cost and the average profit on capital, before he can pay any rent: and as this is done on the poorest soil that is worth cultivating, all soils of superior fertility are valued by the standard rent of the poorest land in actual cultivation. If land that will yield ten bushels be worth half a crown an acre, what is land worth that will yield twenty bushels, with the same expence of cultivation?

In the market, who asks the farmer, how much rent do you pay for the land on which this wheat was raised?

If the land be very productive, the greater will be the surplus remaining, after yielding a reasonable crop to satisfy prime cost and agricultural profits; and the remainder has nothing to do either with those profits or the cost of cultivation, which are deducted in the first place. If the rent demanded, on making the bargain in the first instance, has been settled on an over calculation of the surplus produce, the farmer suffers for his want of judgment. These considerations induce me, with Mr. West and Dr. Malthus, and with the disciples of Mr. Ricardo, to doubt the common opinion that rent is always a necessary element of price; it may be so, perhaps, in a few cases before indicated.

How comes it then, it may be asked, that in Great Britain so much complaint has been made of high rents, and so many farms abandoned, from the inability of the farmer to pay rent?

During the long war in which Great Britain was engaged with Buonaparte, the prodigious expenditure of loans and taxes, exceeded the usual peace expenditure from fifty to sixty million sterling, a year. So large a sum of money annually laid out, and chiefly at home, gave such a stimulus to industry of all kinds, that every product was in superabundant demand, and commanded high prices. Hence, land which from its poverty would not afford any rent in time of peace, was brought into forced cultivation during the war, provisions being greatly in demand. But the rent of good land, is founded and calculated on the rent of poor land. If land not worth one shilling an acre during peace, brought five shillings an acre during war, land owners asked a proportionably higher rent for land of higher quality. Much of the rent roll of the kingdom therefore depended on war prices.

When peace came, fifty or sixty million of expenditure was suddenly taken out of the market; demand for produce fell, greatly and suddenly, owing to such an enormous deficiency in the ability to purchase. Prices were lowered. Third and fourth rate lands would no longer pay for cultivation: the farmer therefore found his profits so far diminished, as in many cases to be unable to pay his rent. Hence arise the corn laws enacted by the influence of great land proprietors, to give the farmer the monopoly of the home market, and thus, by high prices, to enable him to pay his rent.

I believe, at this moment, the introduction of foreign grain is prohibited in England, while wheat continues at ten shillings sterling, per bushel, or under; that is, about two dollars, twenty-two cents. It is manifest that this is a contrivance on part of the land holders and government, to enable the former to pay his rent and his taxes, by laying them on the consumer; particularly on the poor. The manufacturers, with great reason, complain of this management on part of the great land holders to preserve their rent-roll inviolate. The corn laws have also the tendency of tempting to the cultivation of poor land, that would not otherwise yield profit. This also keeps up the general rental, which takes its standard from the lowest rent. The

whole is a contrivance to keep up the rental of the landed aristocracy, at the expence of the rest of the nation. But the day is fast approaching, when the rich manufacturers, the commercial class, and the starving poor joined by all salaried officers and annuitants, will call for a repeal of the corn laws, in a tone that cannot be resisted. At present, the manufactures of Great Britain are in manifest jeopardy, by their operation. The corn laws, aided by taxation falling on the poor, will raise wages so high as to let in foreign competition: when this presses hard on the manufacturing interest, the period of reform is close at hand, either by peaceable or forcible introduction. Mr. Huskisson is trying to do good, but the landed aristocracy are not yet wise enough to let him.

But the fall of produce, was not the only change that fell heavy on the farming interest. The war debt when funded, brought an increase of taxes: the want of demand for labour, brought on a reduction of wages, and an enormous encrease of poor from so many persons being thrown out of employ; an encrease so oppressive, as of itself to detract prodigiously from the farmer's ability to answer the demands upon him.

In that country, a farmer must not only pay rent, but taxes, poor rates, and tythes. Burthens, that weigh heavily on the middling and lower classes of that kingdom. These difficulties have been gradually counteracted by the returning demand for manufactured goods in foreign markets; but much of the evil will be permanent, especially if the corn laws remain in force.

Hence also it is easy to see, that the encreased demand of a state of war, by means of great and unusual expenditure, must necessarily produce a proportional depression in every country, on the return of peace. It did so in this country immediately after the last war; although we are not yet cursed with excessive taxation, with enormous poor rates, or the dreadful evil of tythes, to support an idle, proud, and useless hierarchy.

These circumstances account sufficiently for the distress of the landed interest during three or four years succeeding the peace. War is a state of fever: when it subsides, a state of languor and depression ensues in the political, as in the natural constitution; and considerable time is required, to bring up the body politic, to the desired tone of returning health.

It is seldom that mere land, unimproved, is let for rent, especially in an old settled country. It is universally accompanied by fences, barns, stables, houses, out houses, &c. and is thus complicated with capital. Indeed, land itself is capital, let out to interest in the shape of rent.

Other things besides land are also let out to rent, as houses in a town, ware-houses, cellars, machinery, &c. These generally follow the law of agricultural rent.

Rent is encreased

By encreased demand for the produce of land.

When new lands are brought into cultivation, which shews the market to be under supplied.

By improvements in agriculture, making the surplus larger.

By fall of profits and wages, which also leave a larger surplus for the land owner.

Rent is diminished

When the farmer is met in the market on equal terms, by a foreign competitor.

When taxes, tythes, and poor rates encrease: for these add to the prime cost, and diminish this surplus claimed by the landlord.

By whatever adds to a farmer's expences and deducts from the surplus out of which rent arises.

CHAPTER 9.

LABOUR—WAGES.

When nature presents us with a material substance, a raw material as it is called, it is unfit for any useful purpose to man (except the elements air, fire, water, &c.) until labour has been bestowed upon it, to fit it for man's use. The tools and implements, the work shops, the machinery, the food of the labourer, all that is paid him in the form of wages, and all that constitutes capital, is the result and produce of previous labour employed and accumulated upon these articles. So that in every possible case that can be devised—artificial, exchangeable value, is the result, and consists of the human labour bestowed upon the raw material. Take away from a piece of bread the labour

bestowed by the baker on the flour, by the miller on the grain brought to him, by the farmer in ploughing, sowing, tending, gathering, threshing, cleaning and transporting the seed, and what will remain? A few grains of grass, growing wild in the woods, and unfit for any human purpose.

The same process of reasoning and analysis will apply to every other known article, that possesses exchangeable value, and will command a price. Price is, in all cases, an exchange of labour against labour, under different forms; and the equitable natural principle by which this exchange is permanently regulated, is, that a day's labour in one useful form, shall command a day's labour in any other form. To this great rule there are temporary and occasional exceptions, but no other. This is the natural and reasonable standard.

Labour and wages however, are regulated, not entirely by the natural price of labour, or that which will enable a man to find himself, his wife, and a child or two, in the necessaries of life, but occasionally, and in part, by demand and supply. *Capital* being the parent of demand, and the existing *population* of supply. When the encrease of capital out travels the progress of population, wages rise, because the demand for labour encreases. When population exceeds the demand, wages fall. Labour is usually furnished in more abundance than the demand can take off; because high wages not only stimulate to marriage, but enable the labourer to feed and cloath his family in such a manner as to lessen the chance and danger of disease. The great source of disease and mortality among the poor, is their poverty. A mother must work hard for scanty food, instead of nursing her children.

But the few years succeeding the continental peace, have shewn, that in Great Britain, wages may fall and may for some time continue below what are necessary to furnish the absolute necessaries of life. For instance, in Mr. Tooke's essay on high and low prices, pages eighty-two, eighty-three, it appears that the wages for weaving in 1815, were nine shillings, and in 1811, for the same work, three shillings: and in 1790, the price of fifteen pence per ell, for weaving book muslins, at Glasgow, fell in 1811 to five pence. These low wages were compensated by death from starving, by death from disease, and by a resort to the poor house. The accounts of the distresses of the lower

classes in England, from 1810 to 1816, are dreadful, as related in the parliamentary debates. For notwithstanding encreased expenditure, by which agriculture was stimulated, many of the manufacturing classes during the war, owing to the continental exclusions under Buonaparte's system, and the agricultural classes after the peace, owing to diminished demand for provisions, suffered extremely.*

To make labour productive, there must be

1. Circulating capital of consumable commodities: food, fuel, cloathing.

2. Fixed capital; tools, machinery, buildings &c. some or all of these.

What could a husbandman do without a plough, a harrow, a spade, a wheelbarrow? What could a savage do without a bow and arrow, a wigwam, and cloaths of some kind, to defend him from weather?

Additional wealth can only be procured, by an addition to the number of labourers, or by an addition to their productive skill. For both these purposes, additional capital is necessary. There can be no addition to the present full compliment of labourers, till the employment of fresh capital creates the demand for them, and the means of subsisting them. There can be no addition to productive skill, but by continued practice, or division of labour. To both of these, capital is necessary.

There is no criterion or measure that I know of common to all civilized countries, by which the value of labour can be measured. It will depend on the modes and habits of life of the people. In England and France, wheat bread is the common nutriment of the poor. In Ireland, potatoes. In the East Indies, rice. In our own country, animal food, with Indian corn. Hence the wages of labour will be highest in those countries

* The manufacturing system is liable to dreadful periods of misery and starvation for want of employment. The accounts from Lancashire and other parts of England, while I am writing this note, (June, 1826,) are dreadful. They are equal to periodical famines. The wealth thus obtained by great capitalists, is very dearly bought. Two hundred thousand people in Lancashire, in April, 1826, crying out for food; twenty thousand in Dublin alone; many in Glasgow and other parts of the United Kingdoms, form a melancholy commentary on manufacturing prosperity, so liable to the fluctuations of excessive demand at one time, and want of demand at another. Distant I hope is the period, when it will be the prevailing system of this happy country.

where wheat, or grain, with animal food, is the common subsistence of the labouring classes. Meat is so, no where but in the United States.

In England, from the year 1770, to the present time, although the money price of mere day labour has fluctuated much, the wheat price has continued steady from four sixths to five sixths of a peck of wheat per day. The distressing years from 1814 to 1817, may be deducted, when the wages of the labourer were paid by a resort to the poor rates; and the burthensome population was kept up under the poor laws, by a compulsory maintenance of the children, whose parents could hardly maintain themselves. Had the war not consumed so much of the population during its continuance, the misery of a country crowded with inhabitants seeking for subsistence, and finding none, owing to the suddenly decreased expenditure of government, would have been far worse than the actual effect of raising the poor rates to eight millions, sterling, per annum.

No encrease in the productiveness of land, no encreased abundance of provisions, no fall in the price of food, will benefit the labourer, if there be not capital seeking out for employment. In England, between 1815 and 1816, the harvest was abundant, the work houses were filled. The cheapness of provisions, owing to a supply exceeding the demand, only detracts from the profits of the farmer, and disables him from expending so much as heretofore in labour. The burthen cast, in the first instance, upon him, he throws off on the shoulders of the class immediately below and dependant on him. He says to the labourer, "the price of produce will not allow me to pay you the same wages as heretofore." Not only so; he contracts his operations for the next year, through fear of a bad market; and in this way, by the effect of a year of extraordinary plenty, labour is to a certain amount thrown out of employment.

It is manifest that all this is owing to the want of capital in the market; the only parent of useful employment. The demand for labour, and therefore for food, not keeping pace with the supply.

By Mr. Ricardo, the natural wages of labour, is that which is necessary to enable the labourers, one with another, to subsist and perpetuate their race, without encrease or diminution.

By Dr. Malthus, the natural or necessary wages of labour, is that which in the actual circumstances of society is necessary to keep an average supply of labourers, sufficient to meet the average demand.

Neither of these criteria are accurate. They will answer very well for all other commodities; but they will not answer when applied to labour. Other commodities may be withdrawn from market, if they are not of a perishable nature. A bale of woollen or of muslin, may be offered again and again. A labourer and his family may starve, if he remains unemployed even for a few days. He cannot afford to be idle. If he cannot get what he asks now, he *must* take less; his wants are imperious, and require instant supply. Hence the great advantage and great power also, of great capitalists, where the laws are all on one side.

I grant, with Dr. Malthus, that if Mr. Ricardo's necessary or natural price (prime cost plus the usual profit on capital) fails of being obtained for a few times, the market will not be supplied. The natural price becomes the necessary price: but it is not so with labour; which must accept what is offered.

Nor does the labourer possess the resource of the capitalist. If the market will not yield the usual and reasonable profit, the capitalist can change the destination and application of his capital. For he can afford to subsist meanwhile. The day labourer has no such resource. Hence the numerous cases in England of people quietly laying down to starve, during great scarcity of employment. Instances of this have been detailed in the English newspapers of April, 1826.

In that country, the laws against combinations of journeymen to raise wages, have very lately been repealed. It was assuredly any thing but even-handed justice, which made it an offence for journeymen to combine to raise their wages, while masters might combine with impunity for the purpose of lowering wages. Yet, in this country, in Philadelphia, in the Cordwainer's case, tried before Mr. Recorder Levy, and in a late case in New York, the principles of the English acts of parliament were adopted, and journeymen were found guilty of entering into such a combination. Probably the spirit of those decisions would be construed in this country to extend to combinations for an opposite purpose, among masters. But all these

legislations and decisions, are needless: let the masters and the journeymen settle their own bargains, and they will settle them much sooner than a court of law; which ought not be resorted to, unless in cases of breach of contract. Why am I prevented from asking my own price for my own property, whether I am master or journeyman? If it be worth the while of those who have the labour to supply or the money to give, to assent to the terms proposed, they will do so. If not, what greater tyranny can there be than to force them? Do not masters every where take advantage of the market against purchasers? Why should not the journeyman take the same advantage against the master? In fact, the law is useless, for it may be evaded: combinations may be entered into, as in fact they are among masters, secretly, if not openly.

All these legal prohibitions, are the effect of the tyrannical, encroaching, fraudulent spirit of the manufacturing system. A system whose propensities are too often in hostility with justice, and the public good; tending to take advantage by means of monopoly, or prohibitions, if the opportunity be afforded by the ignorance, or the negligence of the law maker.

Wages are not to be considered for the purpose of accurate reasoning, as consisting in money: for the value of current coin, and of current paper, fluctuates with the fluctuating quantity of imported coin and bullion; with its varying consumption in gilding and plating; and with the fluctuating issues of paper money.

Nor as consisting in grain: for when wheat is a dollar in Philadelphia, it is a third of a dollar in Lexington, or Cincinnati; and a dollar and a third in Columbia or Augusta. At Columbia, Indian corn has varied from fifty cents per bushel to two dollars.

Wages consist in the proportion received by the labourer, of the value at which the article has been employed on, is sold or exchanged. This is a mode of considering it, always true, whatever be the mode of paying the labourer. This proportion will vary according to the prevailing ratio of demand and supply of labourers.

The article produced and the price it brings in the market, is the fund out of which both labour and capital are to be re-

munerated, and wages are high or low according to the *proportion* which the labourer receives of that price.

If the price of the article falls, and wages are not lowered, they are higher, because profits amount to a less, and wages to a greater proportion of the fund which pays them. If wages are lowered, and the price continues the same, profits encrease for the same reason.

The price of every commodity, being made up of wages, and the profits of capital, when the one falls the other rises; there is no other element worth notice, that constitutes price. When price falls for want of demand, and labour is in equal demand as before, the defalcation falls on the profits. When an article falls in price, owing to decreased demand, I have said the labourer for a time receives higher wages; that is, a greater *proportion* of the price of the commodity produced. Suppose the regular market price of a commodity to be four, of which the labourer receives one fourth; if from decreasing demand for the article, or encreasing supply, it falls to three, then the labourer receives one third of the exchangeable value, instead of one fourth.

When the demand and supply of labour and of the commodity produced by it, are regular and steady, the natural price of labour is every where what will enable him to live and maintain a wife and two children in the plainest manner. This plainest manner will depend on the custom of the country; it being different in almost every country throughout Europe. The lower the mode of life—the more scanty and the coarser the food—the greater is the distress occasioned by a want of demand for labourers, or a rise in the mere necessities of life. The effect of famine in the East Indies, is dreadful. The fall of wages in England, has been productive of incalculable misery among the poor, ten or twelve years ago, and in the spring of 1826. So it has in Ireland. Hence, the waste of life produced by typhoid diseases, the effect of squalid wretchedness and absolute want, is the necessary result of an over abundant population. The poor rates in England, have not remedied the evil, but encreased it. For relief was charitably, though not prudently, bestowed according to the number of a man's family: thereby tempting to matrimony and procreation, and encreasing the already morbid plethora of population.

I have already hinted that much of this poverty and misery is to be laid to the account of war, and the sudden contrast of returning peace; but under the head of population, I must recur to this subject.

Labour can only be put in requisition by capital. If therefore there be not a regular annual addition to the aggregate amount of accumulated capital, there can be no regular addition to the quantity of labour in a nation. If labourers are propagated and there is no demand for them, the market becomes over stocked; they are competitors for employment; labour falls in price; poverty and the diseases attendant upon it, appear; and the ranks are thinned till wages mount up by a lessened supply of working men, to the natural or necessary price of labour; to wit, adequate subsistence for a married couple and a child or two.

Hence the state of the poor, that is, of the great mass of every nation, and of course the state of the nation itself, is most healthy and desirable, when there is a continual moderately increased demand for labour; and wages are sufficient to the comfortable supply of all the necessities of life to a man, his wife, and a couple of children.

Such is the healthy state of all new countries where good land is abundant and cheap, and labour is in constant demand. Such is the state of this country, where the miseries of the poor in the old countries of Europe are unknown. But our great cities will gradually put on the character of old and long settled countries; and the truths applicable to the one will apply to the other.

Of all kind of labour, task-work is the fairest, and the most profitable both to the workman and the employer: nor ought any labourer to be employed by the *day*, that can be employed by the *piece*. This is the universal practice in England; where every thing of this kind is understood, and more systematically practised, than in any other country in Europe.

Slave labour is undoubtedly the dearest kind of labour: it is all forced: and forced too, from a class of human beings, who of all others, have the least propensity to voluntary labour, even when it is to benefit themselves alone.

What is the value of a negro at full age of twenty-one?

From birth to fifteen years of age, including food, cloathing, life insurance, and medicine, he will be an expence.

From fifteen to twenty-one, his labour may be made to pay the cost of his insurance, attendance, maintenance and cloathing.

The work he can do from birth to fifteen years of age, will scarcely compensate the insurance of his life, and the medicine and attendance he may need: this, twenty years ago was fifty, it will even now be an average thirty-three and a third per cent. Including this hazard, a negro at twenty-one may be considered as having cost forty dollars a year (thirty for food and cloathing, and ten for insurance) for fifteen years, or six hundred dollars: and I think all hazards included and all earnings deducted, the lowest cost of a negro of twenty-one, to the person who raises him, will, on an average, be five hundred dollars.

The usual work of a field hand, is barely two thirds what a white day labourer at usual wages would perform: this is the outside. The food, cloathing and medicine of a field hand, will be about forty dollars a year.

He may become sick; or lame; he may die or run away; he must be maintained in old age. Such property ought to bring at least ten per cent per annum interest on the capital laid out in his purchase, or in rearing him. Suppose five hundred dollars to be the capital thus expended in the purchase or rearing of a negro of twenty-one. Then his cost will be ninety dollars per annum for two thirds of a day's work of a white man, or one hundred and twenty dollars per annum for negro labour of the same amount in quantity as a white man's. So that on this calculation they are both equal in cost. But an overseer is necessary to a negro, and not to a white labourer. Wages of white labourers in the north, are from six to eight dollars and board, per month. The boarding of a labourer in the family of a German farmer, in Pennsylvania or New York state, will be forty or perhaps fifty dollars a year. If he does not work with steady reasonable industry, he is discharged.

Nothing will justify slave labour in point of economy, but the nature of the soil and climate which incapacitates a white man from labouring in the summer time; as on the rich lands in Carolina and Georgia, extending one hundred miles from the sea board. In places merely agricultural, as New York, Penn-

sylvania, Illinois, Indiana, Missouri, slave labour is entirely unprofitable. It is so even in Maryland and Virginia.

In South Carolina or Georgia, I doubt if the rich lands *could* cultivated without slave labour. Supposing an average crop of cotton throughout the state to be five hundred pounds, or one hundred and twenty-five pounds of clean cotton, per acre, then a prime, healthy, field negro of twenty-one to twenty-five years of age, is worth three hundred and fifty dollars, when cotton is at twelve and a half cents per pound, at Savannah or Charleston. The food of such a negro is nine quarts of corn, and four pounds of salt pork per week. His food, cloathing, medicine and attendance, will amount to about forty dollars a year, on the average, where they are well taken care of.

I think every white labourer of twenty-one years of age, has cost, in this country, one thousand dollars.

The great improvement in Europe, by means of which comforts of every kind have been brought within the reach of so large a portion of people, is *division of labour*.

Take a frontier man in our back woods. He will have to make his own plough, cart and wheelbarrow. He must build his own cabin: he must cut down the tree, divide it into lengths, maul the rails, put up the fence, plough, sow, harrow, reap, gather and thresh. He will have to make his own mockasins, frequently his own gun powder; he must cure his venison and pork, and dress his deer and bear skins.

The necessity of turning first to one occupation, then leaving it because he is wanted at another, wastes his time; while want of habitual skill only to be acquired by exclusive practice, makes him perform many of these operations in a slovenly and imperfect manner. When a blacksmith, a wheelwright, a carpenter, a mason, a tailor, a shoe maker sit down near him, he finds at once, that he saves time and labour by raising corn and hunting venison for these men, who pay him in their own work in return, more than he can make by doing every thing for himself. He soon finds out that the tariff principle of making every thing at home, will not answer his purpose. Hence barter and exchange spring from division of labour.

It is astonishing to reflect on the cheapness that is effected by confining labour, skill, and capital, to one occupation.

I have known coarse wool hats imported from Manchester into Philadelphia at three shillings sterling each, by the invoice. First, the land owner furnished the land that fed the sheep. Secondly, they are reared by the farmer. Thirdly, they are sheared and washed by those accustomed to this operation. Fourthly, the wool is sorted. Fifthly, it is boiled with a little lye to take out dirt and grease. Sixthly, it is packed up for sale, and sent from the mountains of Wales to Manchester. Seventhly it is carded at a carding machine. Eighthly, it is bowed by the hat maker with a bow made for the purpose. Ninthly, it is crisped by sulphuric acid. Tenthly, it is felted by the journeyman hatter who is occupied in felting, as the former is in bowing. Eleventhly, it is sent to the dyer, who uses gall nuts from Aleppo, Logwood from the Bay of Campeachy, sulphat of iron from the coal districts of England, sulphat of copper from Cornwall or the Isle of Anglesea. Twelvethly, it is glued and stiffened. Thirteenthly, it is steamed and formed on a block. Fourteenthly, it is banded and lined. Fifteenthly, a carpenter makes the case in which it is packed. It is then, sixteenthly, shipped to the foreign port. Seventeenthly, the merchant importer sells it and packs it off to the inland retailer who, eighteenthly, furnishes it at about the price of a dollar, to the wearer. It is by this division of labour, and the dexterity thus acquired, that the exporter of woollen hats can obtain a mercantile profit from so low a price.

Eighteen different hands were employed, a few years ago, in making a pin: not one of whom, if left to himself, could make twenty pins a day: by this division of labour, and the tools employed, they can make five thousand each, per day. At present an engine makes sixty-four every minute.

The effect of labour saving machines is still greater. The machine for making wool cards, that for making cut nails, and the machine for making screws, are American inventions; whose operation is to encrease the product of labour one thousand fold.

I have seen a piece of iron wire put into the machine, and in a few minutes it came out a screw perfect in all its parts. A blacksmith could hardly make fifty in a day.

This division of labour, it is true, tends to convert man into a machine, by the uniformity of his employment, and the absence of all mental labour in performing it. But if he can read

and write, he has the means of profitably improving his leisure time, of which every man (in this country at least) has a reasonable proportion: and if the mechanical labour, (performed with ease, because it is performed with habitual skill,) produces sustenance and comfort for himself and a moderate family, his lot cannot be considered as a hard one.

In all manufacturing countries in particular, the tendency of capital is to encrease the quantum of labour; and very often to lower the price of labour: a proposition that may demand explanation. In Manchester the labour of a weaver is fourteen hours out of the twenty-four. There are many serious objections to the manufacturing system, which I shall consider hereafter, when I come to weigh its benefits and disadvantages. The general tendency of abundant capital is to encrease the demand for, and therefore the price of labour: but in great manufactories the demand for labour is not steady in proportion to capital: for very often fashions change; speculations fail; demand diminishes; or ceases; the article cannot be produced with the usual profit; wages in these cases must fall, because demand no longer keeps pace with the supply: and it is a long time, when the rate of wages have been lowered, ere the poor man can raise them again.

It is undoubted, that when there is a great demand for labour in consequence of the prospect of the profitable employment of capital, wages will rise, and labourers will be reared: but all these operations take time; the demand for labour twenty years hence, may not equal the demand for labour now; and in proportion as the employment for capital is of a fluctuating nature, the poor who live from hand to mouth, suffer most during the time occupied by these fluctuations. This is manifest to all who have attended to the progress of manufacture in Great Britain particularly; and beyond all doubt and denial, during the spring of 1826. It is of such magnitude, that the main business of a prime minister of that country, is to negotiate for the continuance of old markets, or to discover new ones. Accordingly, the warfare against that country is continual, by the continued adoption of Buonaparte's plan of continental exclusion, by a great majority of the powers of Europe: and the whole system of British policy has been well explained, by the anxiety to preserve old markets free from competition, and to open new ones.

The agricultural character of Great Britain, is now of second rate import. As Holland was almost exclusively a commercial, so is England a manufacturing town. Manufactures are the necessary offspring of encreased capital and encreased population, but neither the wealth or the happiness of a nation requires that they should be forced by the hot bed of protecting duties, bounties, or prohibitions.

CHAPTER 10.

OF LABOUR AND EXPENDITURE, PRODUCTIVE
AND UNPRODUCTIVE.

A corner stone of Dr. A. Smith's theory, is the doctrine of productive and unproductive labour. Which although sufficiently obvious in the main, presents some difficulties in the detail.

Dr. Smith's account (book 2, chap. 3) of productive and unproductive labour, is as follows: *Productive* labour, as that of the manufacturer, adds to the value of the subject on which it is bestowed. *Unproductive* labour, as that of a menial servant, has no such effect. The manufacturer is no expence to his master, his wages being restored with a profit. The maintenance of a menial servant never is restored; although the labour of the latter has its value. The labour of the manufacturer, realises itself in some vendible commodity which lasts after the labour is past. That of the menial servant perishes in the very instant of performance.

The labour of some of the most respectable orders in society, is like that of menial servants. The sovereign, and all the officers of justice and war, are unproductive labourers. They are servants of the public, and maintained by the industry of the people. This service produces nothing, for which an equal quantity of service can afterwards be procured. In the same class must be ranked church men, lawyers, physicians, men of letters, players, buffoons, opera singers.

Productive and unproductive labourers, and those who do not labour at all, are all maintained by the annual produce of the country. This produce has its limits, and is the effect of productive labour. The annual produce of the land and labour

of every country, divides itself into two parts, one of which is destined to renew the provisions, materials, and finished work, which had been withdrawn from the capital: the other to constitute a revenue either as profit of stock, or as rent of land. The former is employed to maintain productive hands only. The latter may maintain either productive or unproductive hands.

Unproductive labourers, and those who do not labour at all, are all maintained by revenue: either, first, by that part of the annual produce originally destined to constitute a revenue to particular persons, as rent of land, or profits of stock: or, secondly, by that which, though originally destined for replacing capital, and maintaining productive labourers only, yet when it comes into their hands, whatever part is above their necessary subsistence, may be employed in maintaining either productive or unproductive hands. Thus the landlord, merchant, or even workman, may maintain a menial servant, or go to a play, and so contribute towards maintaining one set of unproductive labourers. Or he may pay taxes, and in this way contribute to maintaining another set equally unproductive. The rent of land and the profits and stock, (that is, capital,) are therefore the principal sources whence unproductive labourers derive their subsistence.

The proportion between productive and unproductive hands, depends upon the proportion between that part of the annual produce which is destined for replacing a capital, and that which is destined for constituting a revenue (income.) This proportion is very different in rich countries. At present, in the opulent countries of Europe, a very large proportion of the produce of the land, is destined for replacing the capital of the farmer: the other for paying his profits and the rent of the landlord. But antiently, under the feudal government, a very small proportion of the produce was sufficient to replace the capital employed in cultivation: it consisted only in a few wretched cattle, which also generally belonged to the landlord. In the present state of Europe, the share of the landlord seldom exceeds a third, some times not a fourth part of the whole produce of the land.

Capital is increased by parsimony, and diminished by prodigality. What is annually *saved*, is indeed as regularly consumed, as what is annually *spent*, but by a different set of

people. What a rich man *spends*, is consumed by idle guests and menial servants. What he *saves*, being employed as capital, is consumed by manufacturers, labourers, &c. who produce with a profit, the value of their annual consumption.

By what a *frugal* man annually saves, he affords maintenance to an additional number of productive hands; and establishes as it were a perpetual fund for the maintenance of an equal number in time to come. The *prodigal*, by diminishing the funds destined for the employment of productive labour, diminishes the quantity of that labour, and the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants. Though the expence of the prodigal be altogether in home made commodities, and therefore not occasioning any exportation of gold and silver, its effects on the productive funds of society will still be the same. If the quantity of food and cloathing consumed by unproductive, had been distributed among productive hands, they would have reproduced, together with a profit, the full value of their consumption. There would have been two values instead of one. The same quantity of money would have remained in the country, and a reproduction of an equal value of consumable goods.

Such are the general ideas of Dr. Smith, on the subject of productive and unproductive labour and expenditure: the whole of his remarks on this subject deserve attentive perusal. I shall take my own view of it, in considering his.

Labour is productive, according to Smith, when it confers a value on some raw material equal to the labour bestowed, together with a profit. As to the tilling of the soil, the making of a spade or a plough, or a razor, or a watch spring out of the rough iron, and so forth. Labour is unproductive when it produces no permanent value; no value but what is consumed, destroyed, annihilated. *Quod ipso usu consumitur*. As the labour of a monarch or a magistrate; of a menial servant, of a lawyer, physician, clergyman, an actor, a clerk, &c. Expenditure, according to him, is unproductive, when the article paid for, is utterly consumed; when no source of ulterior profit remains. As when we pay to hear a person sing, or to look at a play, or a painting, or for the wine we drink, or the luxuries upon our table, or the servants we employ to wait on us.

Labour and expenditure are productive, when they add to capital, and become a source of future profit.

All unproductive labourers, monarchs, magistrates, lawyers, bankers, officers of all kinds maintained on salaries, &c. must be supported out of the surplus labour of the productive classes. Those who do not labour must be maintained; and they are manifestly maintained by those who do. They are therefore draw backs from the wealth of the community. The maintenance of these classes enters into the expenditure of income, and diminishes in a degree what would otherwise become capital. They may be useful classes; they may indirectly and circuitously contribute to national wealth; but they add nothing to it directly.

The Economists, deemed agriculture the *only* productive labour, as all the other classes must derive subsistence from the soil. But it is manifest that capital productive of profit, may be accumulated by the manufacturer and the merchant, both of whom add value to the commodity they deal in; and this accumulation of value will enable them to purchase subsistence either at home or abroad.

That there is a broad line of distinction, too plain to be mistaken, we cannot but allow: and the only difficulty is, what are the limitations necessary to be applied to the general doctrine.

Dr. Malthus would modify Adam Smith's doctrine, by dividing labour into more or less productive. But I not see the advantage to be gained. Suppose a man spends a dollar at a game of billards; to him, that dollar is as much lost as if he had dropt it in the ocean, or had never possesst it. There is no room for more or less in such a case. It is gone; consumed in toto as to the player. It is gain to the person who receives it: but he is an useless consumer of the unproductive class; and the fewer keepers of billiard tables, hazard tables, or amusements of that description, the better perhaps for society. The more will be left to be expended in necessaries, in comforts, or to be added to the aggregate of accumulated capital. It is manifest that the more a man spends in useless and transitory pleasures, the less he can accumulate: but while these expenditures do not encroach upon capital, and are within the bounds of income, society has no right to complain. No man will work cheer-

fully who is not permitted to lay out his earnings as he thinks fit. Nothing can reasonably be deemed a luxury, which is not expensive beyond the proportion of a man's income, or the usual style of living of prudent persons in his own class of society. Luxuries, as they are popularly termed, are often among the most beneficial and effective stimuli to exertion; which, in very many cases, would not be made, but for the desire of obtaining them. Hence the folly of intermeddling with a man's expenditure by sumptuary laws; and directing the laying out of a man's income, as if it did not belong to the man who earned it, but the law maker.

Still, it will remain true, that the more of a man's income is dedicated to those necessities and comforts of life, that his situation in society manifestly calls for, and the less of it is dedicated to those unnecessary and transitory pleasures that may well be avoided, the greater will be his means of accumulation, and the more valuable member of society will he be; because he will be able to put more effective and permanent industry in motion, and supply permanent employment and subsistence to more people.

It has been said that equal sums of money, however expended, put in force equal quantites of industry. This is a mistake. Suppose I expend five hundred dollars a year in foreign wines and consume them. I put in force in my own country the wine merchant's profit of fifteen per cent, or seventy-five dollars. If I lay out the five hundred dollars in clearing and cultivating land, I enrich my own country to the amount of five hundred dollars, and the profit made on it at the end of the year; or one hundred dollars more. The first five hundred dollars, therefore, benefits the nation seventy-five dollars: the second six hundred dollars.

Suppose I buy one thousand pounds worth of cordage, and rig a vessel which is sunk. I have put in motion one thousand pounds worth of industry, which can never be put in motion again: the persons employed, must now become a weight on some other capital; for mine is gone. Suppose the vessel returns into port with the usual profit of ten per cent. Then at the end of the voyage, I can put into motion, one thousand one hundred pounds worth of industry.

Again: suppose average profits to be fifteen per cent. A young man begins the world with ten thousand dollars: how much can he afford to spend upon himself out of income, without encroaching on capital? answer, one thousand three hundred dollars. For the remainder at fifteen per cent will replace this sum.

If one man spends one thousand dollars of his income at cards, at play houses, at concerts, at taverns, in jaunts of pleasure, and in keeping an expensive table—and another man spends one thousand dollars in erecting a profitable manufactory, or improving his land, there is no mistaking the character of these two kinds of expenditure: the one is productive of value to the man who expends it, the other is not. The one increases the wealth and adds to the people of a nation, the other does not.

Hence, the necessity of attending to this object in conducting the affairs of a nation. All the unproductive classes must be maintained by the labouring, the working classes: those who produce nothing, must live upon the earnings of those who produce something: and therefore every unproductive officer of government who can be dispensed with, consistently with doing the public business well, ought to be dispensed with. All such persons are burthens and excrescences on the community, and swallow up the earnings of the industrious and productive members of society. In the old communities of Europe, the pay of these classes, is usually greater, in proportion as they are useless or detrimental.

But among the unproductive classes in Dr. A. Smith's sense of the word, are some descriptions of persons whose services are in many instances necessary, and in many instances expedient and serviceable to society. Thus

In government, we want legislative, executive and judicial officers.

We cannot dispense, in the present state of society, with a reasonable proportion of clergymen, lawyers, physicians.

We cannot prudently dispense with carriers, factors, agents, bankers and their necessary sub-assistants.

So, men of science, teachers and instructors, are indispensable.

For the same reason, paper makers, printers, booksellers, and all that class of society are so too.

The menial servants necessary to our domestic establishment, who can be usefully employed, must be reckoned in the class of useful citizens. For they save the more valuable time and labour of the master.

All these classes, though contributing nothing directly to wealth, whether in a consumeable or a permanent form, perform the function of labour saving machines: they save, they regulate, they direct, they stimulate, they add indirectly and circuitously to the mass of productive industry. Men of learning and science in particular, are useful to this end. The closet labours, the speculations, of such men as Galileo, Kepler, Lavoisier, La Place; such men as Newton, Black, Adam Smith, Joseph Priestley—are worth to society hundreds of thousands of common men, useful and productive in a common way. If I were to say that *Becher* who introduced coal as fuel, that the *Duke of Bridgewater*, the father of the canal system, that *Sir Richard Arkwright*, the cotton spinner, that *Watt & Bolton*, the engineers, and *Wedgewood & Bentley*, the potters, had added five million of people to the permanent population of Great Britain, I should not much exceed. Who can estimate the value of *Fulton*? *

The tribe of men who contribute merely to the amusement of society, are also to a certain degree useful; inasmuch as they add to the innocent pleasures of life; and the gratification they afford, is very often an incentive to that exertion which enables the citizens to afford the expence of it. I believe the best rule for the regulation of these amusements is to let them alone: trusting to the prudence and good sense of society that they will be resorted to within the bounds of that moderation, which the limits of income however earned or obtained, will dictate. They afford a plausible temptation to the exercise of that mischievous propensity, which all governments have, of governing too much.

The expenditure on the part of government of loans and taxes, I shall consider under the head of taxes.

* See Reflections on the progress of the Sciences, and their relations with society. Read April 24, 1816, by the Chevalier Cuvier. *Z Walsh's American Register*, 309.

Hence, the term "productive" will admit of several meanings.

1st. Labour and expenditure may be productive without adding any thing to the wealth of the individual: if it be employed in the gratification of reasonable wants.

2nd. Labour may be productively expended, and add greatly to individual and to national wealth, without being productive in the sense that Dr. A. Smith proposes. Thus, any expenditure of labour, or of any money or other exponent of labour, may be called productive, which affords more gratification and enjoyment, than the price paid. But this may be transitory pleasure; or it may be imprudent as interfering with more imperious wants or duties. Moreover we must use and understand our terms and expressions according to the subject matter. Enjoyment and pleasure may be one thing; wealth another. We are now discoursing not on the mere enjoyments of individuals, but on the sources of national wealth.

When Mr. Watt spent his hours in studying the theory and devising the means of executing all the many improvements that he added to the steam engine, he was laying the foundation of national wealth, as well as his own. He was enabling his workmen, to labour much more productively than he could have done without him. But he was not directly and immediately the producer of value himself. Mere skill, however efficient when employed to direct others, is only indirectly and immediately productive of exchangeable value.

Dr. A. Smith's term "productive," may not be sufficiently extensive in its meaning: but it is intelligible: it furnishes a well defined line of distinction: it is just as far as it goes: he is entitled to fix the use of the term in his own sense of it; on the same principle as we have no right to reject Werner's transition and floetz formations, till we have clearly shewn them to be erroneous, or inexpedient. These men stand in the situation of fathers of their respective sciences; and are entitled to the homage of giving name to their own discoveries.

I agree fully to the very great value of science and theoretical skill; and I go the whole length with Cuvier in his discourse already cited. It will nevertheless be true, that wealth individual or national, consists in values artificially conferred on raw material: that the labour employed in producing this effect

is productive labour: and the expenditure which puts on the form of capital, providing for the permanent existence of any quantity of this kind of labour which would not have been brought into employ without it, is productive expenditure: and finally, there is a difference impossible to be mistaken between maintaining ten menial domestics who might be dispensed with, and ten labourers employed in cultivating a farm, which produces a profit of twenty per cent.

To say that any member of society is not of the productive class, does not amount to denying his utility. But mankind have been prodigal in recompensing by salaries or by reputation, classes of the unproductive character, greatly to the detriment of public morals, of public wealth, and of public expedience. Some one has observed, that mankind pay best, 1st. Those who murder and destroy them; heroes and warriors. 2nd. Those who cheat them; monarchs and the priesthood. 3rd. Those who amuse them; singers, actors, dancers, fidlers, &c. 4th and least, those who instruct them. It would be difficult to establish, according to our notions, the utility of monarchs, of nobility, or of hierarchies. Armies and navies, are as yet necessary in self defence. Poets, dramatists, and romance writers, have certainly been over estimated. They contribute to elegant amusement, but as classes, they have not had a good effect on the morals, and as I suspect therefore not on the happiness of mankind. They are in request in youth: in the youth of nations, and the youth of individuals: they are in less estimation as we encrease in years, and arrive at the full manhood of intellect and experience national and individual.

Hence, Political Economy teaches us to hold in no reverence any of the classes described by the poet as *fruges consumere nati*: an objection to primogeniture not easily dismissed.

CHAPTER 11.

OF INTEREST OF MONEY; USURY; BOTTOMRY AND RESPONDENTIA.

Interest is the compensation paid to a man for the loan of capital. Profit on capital employed in agriculture, manufactures and commerce taken on an average in any country, will

be found equal to three times the lowest rate of interest in the market. For the interest settled by law is one thing; the market interest of capital loaned is another; and varies according to several fluctuating circumstances on which it depends. Partly on the plenty and scarcity of capital; but principally on the high or low rate of average profit.

The actual interest in England at this moment, is not more than four per cent. The average profit of agriculture, manufactures, commerce, and extensive home trade, taken together, is not under twelve per cent. The legal interest in South Carolina is seven per cent: the market interest is six per cent. the average profit as before, is about eighteen per cent.* Interest requires no skill, care, or management; profit does. Hence a man possesst of skill and industry, but in want of capital, may afford to pay interest for being furnished with the means of making profit: capital will be sought for by borrowers in proportion to the facility of making profit on it; and the rate of interest that a borrower can afford to pay, will depend on the rate of profit he can make.

Interest, is not the interest of money, but of capital, whatever form it may assume. As it generally assumes the form of the circulating medium, whatever that may be, it is usually and popularly, but erroneously considered as interest of money. But as we shall see presently money has no intrinsic value; it is merely the counters employed to mark the game.

The original meaning of usury was interest; that is, something paid for the use of capital lent by one man to another. The Jews were forbidden to take this usury from each other; but they were allowed to take it from strangers. xxiii, Dut. 20. Interest for the loan of money in Greece, was twelve per cent. At Rome, under Augustus, it was ten per cent, but from a sudden influx of wealth fell to four. Under Justinian it was twelve per cent. In England, under Edward 6, it was forbidden entirely, from religious motives. By 37 Hen. 8 ch. 9, it was fixed at ten per cent per annum. This act was revived by 13 Eliz. ch. 8, and ten per cent continued the legal interest till 21 James 1st, when it was restricted to eight per cent. Soon after the resto-

* Not on agricultural capital. I doubt if any planter can make even nine per cent on his capital, when cotton is not higher than twelve and a half cents per pound at the nearest market.

ration of Ch. 2d, it was reduced to six per cent. By 12 Ann, Stat. 2 ch 16, it was fixed at five per cent per annum; and so it continues for all loans made in England. If made in a foreign country, the rate of interest at the time in that country, regulates the contract. In the United States, each state has fixed its own legal rate of interest according to the exigencies and circumstances of the time when the law was made. Here, as well as in England, it is unlawful to take more than the interest allowed by law: nor will any form of contract or conveyance, or any indirect and circuitous mode of management avail to make what is called usury, legal. The courts look at, and endeavour to sift out the real, substantial nature of the transaction; and the laws treat usury as a punishable offence. What is forbidden to be done by direct means, cannot be legally done by indirect contrivances.

It is manifest, that without the loans of capital on interest to persons able and willing to make profit on it, the accumulated capital of a country could be but imperfectly employed. But by the concurrence and mutual contracts of men with capital but without skill, and men with skill but without capital, new markets, new sources of industry, new means of employing capital are sought out, and put in productive requisition. Industry is upon the alert, and national and individual wealth are indefinitely increased.

When a man loans his capital, he deprives himself of the use of it, and he incurs the hazard of his debtor's not repaying him. This hazard was much greater in former times, and the infancy of commerce, than it is now. A private lender usually loans on mortgage, where the security of landed property ensures the repayment of the principal. Bankers require three creditable names on the paper they discount; to either of whom they resort in case of neglect of punctual payment. Men who purchase home bills of exchange that are on sale, exact a discount proportioned to the presumed risk. This last traffic is not strictly legal, but the necessities of trade have established the practice; and they are common articles of purchase and sale among money brokers and their employers.

Interest, if freed from the shackles of legal limitation, would be high

1st. In places where there is little surplus capital to be loaned out.

2nd. Where profits are high; as in the United States generally.

3rd. Where new markets, or new sources of industry are opened.

4th. Where demand much exceeds supply.

5th. Where risk of repayment is enhanced.

On the contrary, interest will be low,

1st. Where capitals seeking employment, abound: for they come in competition with each other.

2nd. Where profits are low; and cannot afford a high rate of interest.

3rd. Where all markets are supplied equal to the demand.

4th. And where no new markets or sources of industry are discovered, creating new sources of profit.

5th. And where the habitual punctuality of commercial habits, or sufficient modes of securing repayment, take away risk. In all these cases,

A low rate of interest, is an exponent of abundant capital seeking for employment—or of low average profits that will not afford great interest—or of want of market and demand for commodities, the required supply not calling for encrease of capital. Hence it is, that the monied men of England are now loaning to Spain, Austria, Russia, Greece: are investing capital in the mines of Mexico: and seeking means of employing surplus wealth every where. Hence it is, that the monied speculators of Holland form what in the Genesee country is called the *Holland* company and the *Population* company: and hence so much of our funded debt is owing to foreigners. All this is manifestly to the advantage of countries where capital is scarce. For whoever owns the capital, its employment promotes industry, wealth, and population wherever it is laid out. If we can borrow at five per cent, and make fifteen, the difference is so much gain to us.

In a country where interest and profits are low and stationary, population cannot progress advantageously.

It is to these loans of surplus capital, which the present state of society renders secure, that the great superiority of modern times over former ages is owing. All accumulated

capital and all acquired skill, being put in requisition either by the owner or the borrower, industry and invention are continually exerted: profits are made upon every saving, and employment given to millions of people who would not have been brought into permanent existence without it.

Money laid out in land, never produces so high a rent, as to amount to legal interest on the purchase money. Owing in part to the greater security of landed property, and in part in England, to certain political privileges connected with freehold property, as the right of voting for a knight of the shire; that is, a representative of a county.

Where interest is at five per cent, and landed estate sells at thirty years purchase, three thousand pounds laid out on land, will bring one hundred pounds a year rent, and one hundred and fifty pounds a year interest, if loaned as principal.

USURY, is the offence of taking a larger interest for the loan of money, than what is allowed to be taken by law. In using the term "money," I do it advisedly, for reasons that will presently appear.

Usury laws, are the result of that mischievous intermeddling so constantly attendant on ignorance in the seat of power. When two persons meet to contract for their common benefit, if they are of reasonable age and understanding, they can make their own bargain better than any one else can make it for them; for they are better acquainted with their own business and necessities than a stranger can be. Men should be presumed possessors of a common and reasonable share of understanding; and when a man wants to borrow money upon an emergency, he best, he only can know, what it is worth his while to give, for he alone can know his own exigency. On the other hand, if I can make more of capital without trouble, than the law allows me to take in the form of interest, I shall refuse so to lend it, and employ it otherwise. If I am induced by importunity to lend it at a higher rate than the law allows, I must be indemnified at the expense of the borrower for the risk which the law compels me to run: so that usury laws are oppressive only to the indigent, and injure those alone whom they intended to serve. It is a well known, and undisputed fact, that all usury laws encrease the rate of interest to the borrower; for all interest is calculated upon risk, as an element of the contract. The risk of an usurious loan

being discovered, is a law-created risk. It is the necessary and inevitable effect of usury laws; so that they are in fact, and ought to be entitled, laws for adding to the misfortunes of the unfortunate. They are completely *felo de se*.

Mr. Jeremy Bentham, to whom the world owes many enlightened views of legislation and civil policy, published the first and most profound investigation of this subject in 1817, and in conformity with his opinions we may ask,

1st. What are the general principles, whether of trade, politics, or morals, upon which a restriction on the rent of money can be justified more than on any other thing let out to hire? If I convert my money into land, houses, ships, carriages, horses, I am permitted to receive as much as he who wishes to hire them, thinks he can afford to give. If I were to melt down my cash into plate, I should be allowed to ask for the use of it, and to receive if I could obtain it, my own price as a rent: but if I were to convert the same metals into coin, I should be restricted to the rent if one twentieth per annum. Why should there be a restriction on the rent of money more than on the rent of land, houses or other commodities? For what is interest but the rent, the compensation annually paid for the hire and use of money?

2nd. The owner of every other commodity let out to hire, is allowed to calculate for himself and in his own way the risk he runs in entrusting his property to others. As if I lent my ware-house to store gun powder, or my horse to work in a coal pit, or to run a race. So, insurance companies ask a premium without any law to control them, proportioned to their opinion of the hazard incurred. Why the man who loans money should not be able to calculate the risk *he* runs of losing it, and charge accordingly, it is not easy to divine.

3rd. Money is a commodity in the market; an object of traffic, which *rises* in value like all other commodities, in proportion to the demand for loans, and the profit that can be acquired by means of them: and the value, that is, the rent which a man can afford to give for the hire of money, *falls*, in proportion as money to be loaned is abundant in the market, and as the opportunities of making profit by borrowing it are scarce, and the rate of profit low. No other commodity—no other article of traffic is thus fettered and regulated in opposition to the great laws of market value, demand and supply. nor can any good

reason be assigned why the loan of money to trade with, should be thus trammelled.

4th. What right has a legislature to regulate my contracts for the loan of money, more than for the loan of land, or the loan of a carriage? What injury do I commit, in asking high interest of a man who can judge for himself whether it be worth his while to give it? And who *can* judge of this but the borrower? whose circumstances and necessities are known intimately by himself alone. What right can a legislature possess, thus to judge without any means whatever of accurate knowledge, and to act on imperfect conjecture? Laws and judges are ordained and appointed, not to make contracts for the parties, but to enforce them when made.

5th. The circumstances of the money trade have compelled our courts of justice to relax, and virtually to set aside the law. When a banker discounts a bill presented for the purpose, he always exacts more than legal interest. His interest is paid down in advance: and he loans not money but his own credit only.

6th. The *nauticum fœnus*, or *contractus trajectiliæ pecuniæ*, which when lent on security of the vessel, is *bottomry*, and when on the goods, is *respondentia*, is a contract for the loan and hire of money where the interest is proportioned to the risk. In sea faring transactions this contract is so useful as to be part of the law maritime, and not embraced by usury laws: yet no reason can be assigned why these laws should not operate in such a case? It is merely an advance in the rate of usual interest, in proportion to unusual risk. Why should not this rule guide every loan of money?

7th. There are so many occasions in the life of a merchant or dealer of any kind, when to maintain his credit suddenly put to hazard; or to ensure a beneficial purchase, when money is really worth to him for a short time much more than legal interest, that laws prohibiting such a man from borrowing, or any other man from lending, unless at legal interest, are intolerable nuisances to the fair trader. They drive a trader to send his bills into the money market, to be sold for their market price, to persons who thus evade the interest laws; and the merchant has to pay for the risk of discovery which these silly regulations impose upon him.

8th. After all, these laws are continually evaded: they cannot be maintained. They impose on the lender the necessity of asking, and on the borrower the necessity of paying, a higher rate of interest to compensate the risk of thus breaking a law that ought never to have been enacted. A law that, under the pretence of kindness and protection, falls heavy on the indigent and unfortunate, for whose benefit it purports to be made.

9th. It is now an acknowledged principle of law, adopted in all courts of equity, that when two persons of competent knowledge maturely and deliberately make a bargain of whatever kind, the mere circumstance of inadequacy of price is not of itself sufficient to set aside the contract. Inadequacy of price can only be taken into consideration as *prima facie* evidence—as a ground to conclude that there has been fraud and misrepresentation employed. Where all kind of fraud, misrepresentation and mistake are negatived, the parties must be permitted to make their own bargain. This applies directly to all the objections usually made to usury.

10. Holland, where all commercial subjects are as well and as practically understood as any where in the world, has no laws against usury; unless those contained in the code Napoleon, and never acted on the United Provinces. Yet is interest lower in Holland than in any other part of Europe, on the average.

But it is pretended that usury laws are intended to restrain prodigality. Can this be done? Will laws against usury prevent it? Cannot goods be sold cheap by the prodigal, or bought dear of the usurer, and resold in such a way as not to touch the transaction? Who is to judge of prodigality? Will you put half the community of grown persons into baby leading strings? Of all vexatious legislation, that is the worst, which meddles in private concerns, and pretends to show a man of business how to conduct his own affairs. Moreover it is right that prodigality should bring with it, its own remedy in its own punishment.

These laws are said to be enacted to protect indigence and ignorance. If I want money, I alone can know how much it is worth to me at any particular time. If I want a house in a particular situation, who can judge of the value of it to me, but myself; for who else can know all the inducements?

Wherever fraud and deception take the advantage of ignorance, the principles of equity interfere under the doctrine of “catching bargains;” and usury laws are unnecessary.

These laws then are inefficient, for they can be evaded.

They are impolitic, for they interfere in contracts that are best regulated by the parties interested.

They are cruel, for they fall heavy, not on the rich, but the needy and unfortunate.

They are unjust, for the legislature has no right to prohibit two persons from making a contract mutually beneficial, and so considered by each of them, when no other person is directly or indirectly concerned in it.

They are demoralizing; for they tempt, or rather compel two parties desirous of entering into a fair contract, to practice shifts and devises, and unreal pretences, in order to evade a law which is a nuisance to both of them.

They are impolitic, throwing obstructions in the way of productive investment of capital.

Such are the very strong objections to usury laws. But I know of no objection to a law regulating the interest of money, in all cases, where the parties to a contract have not settled the rate of interest for themselves. Such a law would be in many cases convenient, and prevent many contests which would otherwise take place. But such a law ought only to proceed on the same principle with a statute of distributions in cases of intestacy, viz: to provide for those omissions which might otherwise be the sources of dispute; and to facilitate settlements where questions of interest might arise unprovided for.*

CHAPTER 12.

ON AGRICULTURE, MANUFACTURES & COMMERCE GENERALLY, AND ON COLONIES.

Much difference of opinion has existed, concerning the preference that ought to take place between these sources of national wealth; and which of them is most deserving of encouragement. The Economists considered the land as the exclusive

* See the article *Interest* in the supplement to the Encyclopædia Britannica, by Mr. M'Culloch: this has been reprinted in New York. As I have not used it, the view of the subject there taken will be a powerful addition in support of the principles I have adopted; and I therefore refer to that well-written essay in confirmation.

source of all wealth; and the labour bestowed on commerce and manufacture, as effecting no more than a change of place, or a change of form on the material which would not exist but as the produce of the soil.

M. Ganilh, and others, viewing the flourishing situation of Great Britain, consider that a system of agriculture founded on manufactures and commerce ought to be regarded as the most productive source of wealth and power.

For this half century and upwards, from the accession of Geo. the third, the people of Great Britain seem to have turned their chief attention to manufactures, and to have established a system of manufacture as the basis of their commerce, and considered their agriculture merely as subordinate to these. Indeed, that nation has not been supplied with grain from the produce of her own soil for this half century past, (since 1773,) although the produce of a given number of acres is higher in that island than in any part of the known world. Throughout England, thirty years ago, Arthur Young calculated the average produce of wheat land at two bushels and a half per acre: it is at this time, undoubtedly twenty-five bushels, on the average of all England; being ten for one of the seed sown. The average seed on wheat land in that country is two bushels and a half per acre: but on rich land, and in the Norfolk husbandry, where thirty-five and forty bushels per acre is not an unusual crop, it is four bushels per acre. With us, it does not reach one bushel. The average crop of the United States certainly does not exceed fourteen bushels per acre, where wheat is sown.

Before we decide on the relative importance of these branches of industry, let us endeavour to establish some general principles.

Of the men who compose the industrious, productive portion of a community and who have to maintain themselves and their families, and to provide the necessaries and the comforts of life, by the successful application of the skill, capital and labour which they can command, each man has stronger motives to examine how these advantages can be most beneficially employed for his own purposes than any other man can have for him. All are engaged, each for himself, in the same general object; and is more anxious for his own success than he can be for the success of another.

The conclusion is, that he will make more exertion both of mind and body, and do more for himself than another will do for him. The natural consequence of this will be, that his own exertions for his own benefit will be more successful and productive, than those of any other person for him. For it is his business and his constant endeavour, to know more intimately the facts and circumstances on which success is likely to depend, than it can be of another. There may be cases of individual exception, but these are manifestly the general principles.

The President of the United States, is a very wise man; so are all our Senators and Representatives; all wise men: and the City of Washington contains the congregated wisdom of the nation. But none of them can instruct me, whether it be more advantageous to purchase a chemical article that I want for my laboratory, than to make it there. All practically useful knowledge, comprehends the accurate knowledge of minutiae—of the circumstances that depend on the passing moment: which no one will attended to with sufficient precision, but he who is interested to observe them.

Hence as a general proposition approaching to an universal truth, every man is the best judge of his own business; and is better calculated to make the utmost profit of his skill, capital, and industry, than another man can be for him.

Hence, if it be true of any given member of a community, as the application of a general rule, that he is the best judge how to dispose of his own labour, skill and capital to the best advantage for his own interest, this will be true of any other and of all other members of a community. But the wealth of a community, is the aggregate wealth of the citizens who compose it: therefore the laws of a community interfere imprudently when they direct the industry of individuals either by protection or prohibition, when that industry is innocently exerted. For the law-makers cannot know the facts on which success depends so well as individuals: and if they do, those facts should be given as information for those who know how to use them. The prayer of the citizens to their legislature, is that of the merchants to Colbert; “let us alone.”

The general conclusion will be from this course of reasoning, that a legislature, and a government, should take all needful measures to guard a community against all hostility from

without, and from all fraud and force within, by means of laws protecting all honest and innocent exertions of industry but giving preferences to none. A man looks up to the government of his country to protect him in making all innocent gain consistently with the precepts of honesty and morality; and having made it by his own exertions, that he may spend it as he pleases provided he interferes in no degree with the rights of others in so doing; and above all, that he may not be taxed for the purpose of fostering and encouraging the pursuits of his neighbour, whose industry has not been so successful as his own. Equal rights, claim equal protection.

Perhaps these propositions may seem too plain to be much laboured; and that these conclusions have been too formally made out. But so strange and so dubious have they appeared, that no monarch, government, or legislature, however despotic or however free, has acknowledged and adopted them, from the beginning of the world to the present day. On the contrary, all governments have conceited themselves much more able to direct individual industry, than the individuals themselves.* The accursed propensity of claiming wisdom as the inseparable companion of power, has pervaded the government of every nation not excepting our own; and mankind has yet to feel here as well as elsewhere, the evils that arise from needless intermeddling, and governing too much.

Agriculture, manufactures and commerce, should therefore be left unfettered to the pursuit of individuals; whose pursuits will always be guided by their interest: and when they are so, they are coincident with the common interest: for a wealthy community is an aggregate of wealthy individuals who compose it; each of whom can better judge for himself, than another can for him.

There are however, circumstances peculiar to agriculture, manufactures and commerce, which in a general point of view present characteristic features.

* See the report of Mr. Rush, our Secretary of the Treasury, December, 1825, fully confirming this charge as to our present administration. Well knowing the talents and information of this gentleman, I was greatly surprised at that report. It shews the absolute necessity of extending the knowledge of Political Economy among us, when such men can be the advocates of such opinions.

Every improvement of the soil by clearing, fencing, draining, and cultivating, may be considered as a permanent improvement. Its value is never totally lost, if the soil be of reasonable and usual fertility. The capital so expended is dedicated to permanent profit: the produce of the soil so brought into cultivation, is never out of fashion. A field cleared by a first settler is probably under cultivation now. A farm in the time of King Alfred, may well be a farm in the time of George the fourth.

In manufactures and in commerce, capital expended may be lost by change of fashion; as in the case of shoe buckles, cravat buckles, velvet and brocade dresses, hair powder and other manufactures. So, war, or want of market or embargo, may cause vessels to be laid up and rot: or goods imported, to be superceded by more fashionable or useful articles; or by competition in the same or similar articles.

Again, a country is benefitted by manufactures and commerce to the amount of profit made on the capital. The capital, consists principally in the plant; that is the manufactory or workshops, the warehouses, the machinery, the tools and implements. All these wear out, or may by various accidents become useless and out of date. This can never happen to an agricultural establishment. A field of twenty acres fenced with a stone fence, or a live hedge, or with post and rail charred; accompanied with a good brick or stone barn, will be of the same use three centuries hence, as on the day these improvements were finished. Hence, in agricultural improvements, the nation is permanently benefitted by the capital as well as by the profit. It is not so in an equal degree by improvements and capital expended on manufactures or commerce.

Again. The employments of agriculture are healthy, and invigorating. They bring up a robust and hardy peasantry. Not so in manufactures: a system in England very hurtful to the body and to the mind. Both are depraved; and the labourers in manufacturing establishments, the operatives as they are now called, compose a population, which no friend to his country would wish to see introduced in these United States, under the system prevalent in Great Britain.

Again. Manufactures and commerce are the great and perpetual sources in modern days of national quarrels. They are war-breeders. Three fourths at least of the wars in Europe

for these one hundred and fifty years, have originated from the jealousies of trade, from the stupidity, and the selfishness of merchants and manufacturers. No part of this reproach applies to the pursuits of the husbandman.

I have no objection to a war of territorial defence, *pro Aris et Focis*: but no branch of commerce, no manufacture is worth a war. I incline to think, that when a merchant leaves the shores of his own country, and trades every where, he ought to do this at his own risk, and ought not to be permitted to jeopardize the peace of the nation, and induce a national quarrel to be carried on at the expense of the peaceable consumers at home. His occupation is not worth the protection it demands. How decidedly would a system of free ports, eradicate the most fruitful sources of war? Nothing renders a custom house necessary, but the unwillingness of the people; who are afraid of paying the necessary taxes, in the cheapest and most eligible form. Hence wise and well meaning statesmen are compelled to exclaim, *si populus vult decipi, decipiat*; and fly to indirect taxation, that an ignorant public may remain ignorant of the manner and amount of the burthens imposed on them.

Again. The produce of agriculture gives birth and life to consumers. Abundance of food creates and brings into existence abundance of people; for it enables them to subsist. This is not the case with an importation of canton crapes, or casimere shawls; or with a manufactory of knives and scissors, or ribbands or woollens. All these depend on the demand. Beef, mutton, bread, and beer, create consumers.

These are real and manifest advantages in favour of agricultural countries: but they do not amount to the slightest reason for governmental protection, encouragement, or interference. When agriculture does not afford a reasonable profit, capital will be embarked in manufactures without any aid on part of the government. Individuals are quick sighted enough to find out their own interest, without being incited by persons who know far less about it than they do. Nor, (on abstract and general principles) can any government have a right to foster one form of industry by taxing the rest. Government was instituted for equal, impartial protection: to be extended to the honest pursuits of all citizens, indiscriminately.

Moreover, there cannot be in a merely agricultural country, the same quantity of knowledge and of intellect as in a country that combines manufactures and commerce with agriculture. Science and art depend chiefly, because they are applicable chiefly to the two former pursuits. Agriculture stands less in need of them. The power of intellect and knowledge is abundantly called in play in a manufacturing and commercial country only. All the improvements in the arts and sciences, all that tends to ameliorate life by encreasing the comforts, conveniences, and gratifications of life, we owe to manufactures and commerce. Agriculture itself cannot be carried on in a scientific and spirited manner, unless in such a country. All this is so abundantly manifested in Great Britain, that it requires no amplification to those who have visited and well observed that country.

A farm in England of four hundred acres, let at twenty shillings per acre, will require to cultivate it well, that the farmer should have a capital of four thousand pounds sterling to begin with. To consist in waggons, carts, wheelbarrows; ploughs, harrows, drills, horse hoes, and other implements of husbandry, and money; besides horses, cattle, pigs:

One hundred acres manured yearly, at six pounds sterling per acre.

Subsistence for himself, family, and servants; and farm-servants' wages for one year.

Such a farm ought to produce five rents, viz:

The landlord's rent,	£400
Profit on capital employed,	400
Expences of annual manuring,	600
Expences of cultivating the crop, tythes, taxes, poor rates, wear and tear of implements, &c.	600
	<hr/> £2000

Generally, a farmer cannot calculate upon more than ten per cent beyond the provisions of his own family: and it will require good management and industry to produce five rents per acre all round, in that country. This expensive system of cultivation cannot yet take place in our own country. We produce much more from our lands in proportion to the capital employed upon them, than in England. This will be the case for

a long time to come. As capital and people accumulate, our agriculture will remunerate a more expensive stile of cultivation.

I may add further, that manufactures and commerce are not exclusively employed in supplying preexistent demand. In a great proportion of instances they create the demand itself, and therefore may be said to create the commodity demanded, which would not otherwise have existed as an article of manufacture and export. All this process has a most beneficial effect upon agriculture, which is thereby benefitted in proportion as new consumers with ability to purchase, arise and are supported.

Poland, Sicily, are now devoid of manufactures and commerce. So was Great Britain three centuries ago. What is the situation of Poland for instance? A few overgrown land holders living in gross and barbarous magnificence, the lands cultivated by an ignorant peasantry, in a condition that may well be called slavish: where the produce often rots on the soil, when there are no means of exporting it, and not mouths enough to consume it. The agriculture of such a country must be destitute of all spirited improvemnet, and exertion be paralyzed, both in master and slave.

To counterbalance these advantages on the side of manufacturing industry, we must place the dreadful misery of over production—production beyond the demand, which occurs not unfrequently in England and in France. The accounts of the starving population of Lancashire, in the spring of the present year, (1826,) and the consequent destruction of power looms and other machinery, by an ignorant, a wretched, and irritated populace, goaded by hunger into despair, are dreadful draw backs from the splendid prosperity of the manufacturing system, and furnish a practical answer to the opinions of M. Say and Mr. Ricardo, who think that production will tempt and produce production without end; and that a glut in production cannot take place. If the reasoning of Dr. Malthus and M. Sismondi, in their controversy with M. Say on this subject, in the years 1820 and 1825 were not satisfactory, the present stoppage of the cotton manufactures of Manchester in England, and the silk manufactures of Lyons and other places in France, would prove the truth of Dr. Malthus's opinion, by matter of fact that admits of no contradiction. When production goes far beyond the demand, it must stop; and often, as in Lancashire this year,

it must stop suddenly. In this case, the operatives (or work people) must starve, or subsist on charity till demand comes round again. Political Economists do not allow sufficient importance to *time*. It is not easy for capital to quit suddenly an accustomed path and destination. It takes much time, care, and trouble to effect this when it becomes necessary; but to the working manufacturer, a change to another employment is too often difficult indeed.

In England, two hundred thousand manufacturers are discharged, and while I am writing, are scarcely supported by charitable donations. In Dublin, twenty-one thousand are in the same situation. This is not owing to want of capital, but to over production beyond demand. The capitalist knows not, in England, at this moment, to what employment he can safely put his surplus wealth; especially as capital has been already too liberally supplied by the accommodations of the country banks to the manufacturers, who have thus been tempted to accumulate stocks of goods beyond the call for them.

The result of all this is, that we do best by permitting all pursuits to take their natural course; to be content with a balance of good; and to interfere no further than to see that each mode of employment has fair play. The evils of imprudent speculation will gradually cure themselves.

COLONIES. These ought never to be thought of but to get rid of superfluous population. They add nothing to the wealth, and nothing to the strength of an empire. They are war-breeders. The objections are well stated in a book published 1782. "The interest of Great Britain with regard to her American colonies considered" by Jas. Anderson M. A. Of two countries containing the same number of inhabitants, that is the weakest where they are scattered over the greatest extent of territory. A colonist pays no rent: no taxes: purchases no food: expends but a small part comparatively of his income in the parent country: his children are fed, cloathed and educated so far as he can, at home. Hence, a colonist is induced to become a small consumer from being a large one. I should not have been tempted to make even these few remarks, if our projected settlements over the Rocky mountains toward the pacific, did not put on the character of colonization. Our present population

confined to one fourth of our territory would give us quadruple the strength. Colonies are the offspring of monopoly.

The question of ABSENTEEISM recently discussed in England with respect to the absentees of England and Ireland, is connected with the principles that bear upon colonization, but is as yet, of no great moment in this country. I am decidedly opposed to the views taken of it by Dr. McCulloch and the Edinburgh Reviewers. Let us suppose an Irish gentleman in Paris, receives one thousand pound sterling rent of his lands in Ireland, transmitted from thence in the most beneficial way that can be devised, to promote the domestic industry of Ireland. In whatever way he gets it, the money is now in his pocket. It can put in motion one thousand pounds worth of industry. Is it not a loss to Ireland if this money be employed, to put in motion French industry, instead of Irish? In what respect does this differ from a tribute paid by one country to another? Suppose the whole rental of Ireland so expended, is it not absurd on the face of the proposition, to assert that it is of no moment to Ireland whether the whole of her rental be expended abroad or at home? Whether her own people be employed or the people of a foreign nation? To be sure, if Ireland contained capital enough to employ at good wages, comfortably and productively, the whole of her population, it could do no great harm to spend abroad what is not needed at home: but there is not a country upon earth so overwhelmed with a needy population seeking employment as Ireland is: a country now containing two hundred and seventy persons per square mile although greatly devastated a few years ago by typhus fever, the consequence of a half-starved population.

The expenditure of English absentees in France, has at one period amounted as has been said, to fifty thousand pound sterling per day for a considerable time together. Doubtless this must be felt beneficially in France, and as a loss in England. Riches beget expenditure; expenditure begets employment; employment, wages; wages, subsistence; subsistence is the parent of future, and the support of present population. Hence I think absentees proper subjects of taxation in those countries.

CHAPTER 13.

OF BULLION, COIN, MONEY, CIRCULATING MEDIUM, STANDARD OF VALUE.

Bullion; gold and silver uncoined. *Coin*, is bullion, divided at the mint into pieces of a certain fineness and size; stamped to denote the weight and fineness, and called by certain denominations, as guineas, crowns, eagles, dollars, &c. The value of bullion in the market, like that of all other commodities, depends mainly on the cost of procuring it, varied occasionally by demand and supply. From the year 1690 to the year 1821 inclusive, the bullion furnished by the Mexican mines, amounted in round numbers to about one thousand six hundred millions of dollars of which the gold was in proportion somewhat more than one twentieth part. Poinset's Mexico. The supply from Brazil, I am ignorant of.

Gold is furnished from Hungary and some other parts of Europe: not in great quantity. The great supply of gold is in bars and gold dust from Africa.

Silver is more abundant in Europe than gold. The lead refiners at Newcastle and elsewhere in England, procure a considerable quantity annually from the lead of that country. How much, I am unable to say: probably about two hundred and fifty thousand dollars worth, annually, at the extent.

The bullion committee of the house of commons in 1810 computed the whole annual supply of bullion at that time at eight million sterling for European use. Of this supply, one third is used in manufactured articles independent of coin; and a great portion of the remainder goes to the East Indies. Encrease of commerce requires an annual supply of bullion for coin; the rest is waste and loss.

Bullion is used for coin: for utensils: for plating: silvering: gilding: lace and wire making. These five last uses, consume and destroy it. I have no means of ascertaining the amount of this consumption. Probably the amount in value is about ten millions of dollars, annually in Europe and this country together. The wear and tear of utensils and coin: the loss of coin by accident, and hoarding, and other sources of diminution of the actual

aggregate amount, may reach in this country and in Europe to about one million of dollars annually.

All our East India trade from this country and Europe, is also a considerable annual drain of the precious metals. That rich portion of the globe requires very few indeed of the commodities of Europe; while the fabrics and raw commodities of the East, are, and always have been greatly in request in Europe and this country.

From these circumstances, bullion has a value independent of its use as coin. A value that fluctuates partly with the supply; partly with the uses to which it is put; and partly with the prime cost of procuring it from the mines. In England, the troy ounce weight of gold, is valued at the mint at 3. 17. 10½ sterling, a troy pound at 46. 14. 6. This is the mint price of gold of the standard fineness of their coin. During the late war, a great question arose in consequence of gold bullion bearing at one time January 1814, a price equal to five pound eight shillings when paid for in bank notes; whether this apparent rise in value was to be attributed to a fall in the value of bank notes owing to parliament having exonerated the bank in 1797 from redeeming their paper in coin, giving occasion to inordinate issues by country banks—or to an actual rise in the value of bullion as a commodity, owing to the encreased demand and diminished supply, is not yet quite settled. The restriction of paying cash for bank notes affording as was supposed, a temptation to the bank and bankers to issue paper money, and to discount bills of exchange more liberally than usual, from being exonerated from cash payments. This would fill the market with paper, and reduce its value compared to the precious metals, by altering the usual portion between them.

On the other hand, this difference was accounted for, by the encreased value, owing to the encreased demand for bullion, the amount of paper continuing the same. The encreased demand was ascribed to the transportation of the precious metals in paying troops abroad where paper would not answer the purpose—in foreign subsidies to the allies of Great Britain—to the amount of coin sent over to France in payment for provisions—to the encreased demand on the continent, owing to the war and the pay of armies—and the diminished supply from South America, owing to the disturbed state of that country.

On reviewing this question, I think that paper fell in value,

1. From the advances made to government during the war, by the bank. These were items to considerable amount in the market of paper money. Some times these advances were in coin and bullion to pay for imported grain, subsidies, and troops abroad. In 1817, government owed the bank above thirteen millions sterling.

2. From the encreased amount of exchequer bills, navy bills and ordnance debentures thrown into the market: and which remain till funded. These are temporary loans made by issuing governmental paper; not much unlike our treasury notes.

3. From the prudent extension of discounts to save merchants and mnnufacturers from failing, whom the war system put in jeopardy.

4. From the country banks feeling themselves relieved from the necessity of making cash payments.

5. From the necessity of a more liberal issue of paper money to supply the place of coin converted into bullion and transported abroad. If the required quantity of circulating medium was diminished by the export of coin, paper was required to replace it.

6. From so large an expenditure by government of loans and taxes being made chiefly in bank paper: and from the interest of the funded debt being paid in bank paper. In 1797 when the bank of England was first restricted from paying cash, the amount of the interest of the debt was not more than nine millions and a half, sterling: it encreased gradually till the close of the war, when it amounted to about forty-five millions, sterling. The bank notes in circulation in 1797 were not nine millions, sterling. The average of the year 1815, was about twenty-seven millions. In 1792, wheat was half the price it has been on the average since the peace after the battle of Waterloo. No wonder this prodigious and uncontrollable emission of paper money should drive the metallic circulating medium out of the market, enhance the price of commodities, and diminish the par of exchange. The bad effect has been counteracted by the pre-eminent exertion of knowledge, skill and industry, combined with capital, in the manufactures of that country. But the injurious effect of small notes under five pounds value, must ere long be severely felt. The metallic money is displaced and ban-

ished much more certainly by the use of small notes than large ones; and the facility of circulating small notes is much greater than large ones, affording a corresponding temptation to their increase.

I see no evidence that the bank speculated on the restriction act, or discounted more liberally, or discounted suspicious paper from that cause.

At the same time that the paper market thus became loaded, the price of bullion advanced from the circumstances above mentioned, connected with the existing war. These are in my mind sufficient to account for the great difference. The demand for bullion, and the supply of paper encreased at the same time.

Hence, although a standard of value, to which all values should be referred, and by which as a common measure they should be estimated, has been found necessary in every country upon earth; and although in every civilized country, coin fabricated out of gold or silver bullion, has been used as a standard of value; it is manifestly an imperfect one, owing to its fluctuating value; not only as being itself a commodity adapted to use and to ornament, but also fluctuating as a coin, and more in demand in some places than in others. A great increase of circulating wealth in a country where paper money is little used, will occasion a demand for, and therefore a supply of coin; or of bullion into which coin is melted; and of course a rise in the value of bullion. Still, no better standard of value has yet been found; and the precious metals perform that office universally throughout Europe and Asia. Hence, the existing necessity of making all paper money which is a confined and local standard of value, convertible in coin which is the universal standard of value. For otherwise, its value will have no basis or foundation on which even its local utility should permanently rest; and it will gradually be refused, depreciate, and dissappear; as has been the case with all forced paper money unredeemable in gold or silver. In England, they have been compelled to resort to metallic payments even of Bank of England paper.

Coin being a material so important—being the universal circulating medium or measure of value all over the world—every government has deemed it necessary to preserve the privilege of fabricating coin out of metals, in the government itself,

and forbid the making of coined money to every individual, under heavy penalties.

Coin therefore is taken on the faith and credit of the government that issues it. Despotie and extravagant governments have been often guilty of the fraud of depreciating the currency; but the evil consequences are so certain, that there is less temptation to do this now than formerly, even where the power exists, for the bad effect is well known.

In general, governments add to the precious metals an alloy of copper, partly to make them harder and less liable to wear, and partly as a signorage or compensation for the expence of coinage. In our own country, we return equal weights of coin for bullion of the same fineness; government being at the whole expence of coinage.*

Within these fifty years, the encreased communication between civilized nations, and the prodigious value of their mutual dealings, have far outstripped the supply of the precious metals as coin, or the circulating medium of commerce. The inconvenience also of making large payments in coin is insuperable. How are we to transmit from hand to hand ten or twenty thousand dollars? Hence paper transfers and paper money have forced themselves into the place of coin, and become, in fact, the important and far larger portion of the circulating medium of the commercial countries of Europe in particular. Whether the governmental privilege of coinage, ought to em-

* In England the mint price of gold is 3*l*. 17*s*. 10½*d*. per ounce troy; and of silver, 62 pence: so that a guinea should weigh 129 39-89 grains, and contain 118 58-89 grains of pure gold: and the shilling should weigh 92 28-31 grains and contain 85 29-31 of pure silver. Hence, the mint proportion of value between gold and silver, is as 15 13-62 to 1 nearly. But the bullion value in the market is usually about 14½ to 1. A guinea fresh coined weighs in fact 129 44-100 grains of twenty two carats fine: fine gold being twenty four carats. So that the alloy is two carats in twenty four or one twelfth. With us, one pound troy of standard silver, contains eleven ounces two dwts. of pure silver. A French crown is found to be worth one hundred and nine cents and one mill. A five franc piece ninety three cents two mills: a Spanish dollar one hundred cents and four mills. A pound sterling if paid in gold is worth four dollars fifty six cents, and ,572 of a cent. If paid in silver four dollars thirty four cents, and ,894 of a cent, so that silver is at present higher than gold. In the United States we alloy pure gold with 1-12th of copper. The alloy of copper in silver, is 44 3-4 grs, in a dollar of four hundred and sixteen grs.

brace paper money as the circulating medium *in fact*, as suggested by Mr. Grenfell in a speech in the British House of Commons, 13th February, 1826, is a system well worth considering, which I shall venture to touch upon by and by.

Money; is the name for the circulating medium, standard or measure of value in any country whether it be metallic coin or paper.

The great use of money is the unlimited *power of purchase* which it confers: the power of purchasing any commodity of whatever description. If I am a cotton grower, I cannot purchase a pound of tea or sugar with it, unless the seller is in want of cotton: but when the cotton is converted into money, into the common standard and measure of value, the money will, from its character, command any other commodity, because it can be again exchanged for any other, in whose ever hands it may be.

This standard of value does not always consist of any actual coin, or stamped paper. A pound sterling, is in fact the standard of value in England; all values have reference to it. But there was for a century, I believe, no such coin. When bullion is coined, it then, and then only becomes a standard of value by positive law: and at the time when it is made so by being coined, regard is had as much as possible to the comparative value of the bullion out of which the coin is made, so as to afford no temptation to private coinage, or to remelting the coin: but it is the arbitrary, stamped, governmental, legal value affixed to the coin that makes it a standard; which continues the same however the market price of bullion may vary; a variation which produces great confusion in the popular ideas on this subject, and which is generally associated with and transferred to the coin which is made from it. On the fluctuations in the value of money, I shall treat by and by, and of its remedy in contracts for time.

A guinea contains one hundred and eighteen grains of fine gold: and therefore a pound sterling ought to represent one hundred and thirteen grains of fine gold. These proportions were settled on the market price of bullion at the time, and with intent to afford no temptation to melt down or debase the currency, or to substitute any private spurious imitation. But it does not always represent this quantity: for when the market price of fine gold rises, owing to fluctuations in demand and supply, a pound sterling will only represent a quantity of fine gold of the market

value in the same proportion; and the guinea will be melted, or without being so, will be exported. In like manner, a pound sterling may represent three bushels of wheat; but when wheat rises, it will not represent so much.

As there is no material in nature that may not alter in value, according as it is in more or less demand, compared to the quantity of it in the market, no substance or material can be an accurate standard of value; which is therefore in fact an imaginary and not a real money, like a pound sterling.

When three bushels of wheat, two pair of silk stockings, two sheep, four cut decanters, one hundred and thirteen grains of fine gold, are mutually exchangeable, they are said to be worth one pound sterling: but the sheep, the wheat, the decanters, the stockings, and the fine gold, may all fluctuate in market value compared with each other, owing to the circumstances and accidents that may affect the demand for them, or the supply of them. The pound sterling will still be the common measure; only they will be worth more or less of this common measure in common parlance and calculation, according to the variation. A guinea will always be worth one hundred and eighteen grains of fine gold, when the market price of gold is three pounds seventeen shillings ten and a half pence per ounce, or forty-six pounds fourteen shillings and six pence per troy pound. But if gold becomes scarce and dear, and great quantities are in demand for use, for ornament, for exportation to pay debts, or for exportation to a foreign country where it is still dearer, although the pound sterling be unalterable, the guinea will rise in value, and will no longer buy one hundred and eighteen grains of fine gold in the market, but will be remelted and transported: because it has two distinct values; its value as a coin which is one hundred and eighteen grains of fine gold and its value as a metal, which is higher, when paid for in any other manner.

Suppose half a dozen persons sit down to a game of cards; and for want of small money, they substitute grains of corn, and agree that each grain shall pass at twelve and a half cents. These grains of corn become at once, money; a standard and measure of value; and being intrinsically worthless, they have all the good qualities that a standard of value can have, provided no more are distributed among the card players than are necessary to conduct the game, and facilitate the payments of what is won

or lost. They become the circulating medium of the commerce of the evening.

Suppose the players have no lower money among them than five dollar bills: each player must have at least forty grains of corn. If they have paper as low as one dollar, eight grains a piece may be made to answer.

The greater the number of players, the more of this circulating medium will be required, to transact the business of the table. As in commerce, the more persons are engaged in it, and the greater the extent of their dealings, the more circulating medium will be wanting.

Suppose while the first set of players are engaged, another set is formed; and more grains of corn, or counters become necessary, as circulating medium; the second set will endeavour to divide with the first set, and grains of corn will be in demand. So in the commerce of nations, any surplus of circulating medium in common use, will find its way to the country where there is a deficiency.

Suppose the players have and retain in distribution, double the number of grains of corn that are actually necessary to carry on the game: in this case, instead of one grain passing for twelve and a half cents, it must be reckoned at six and a quarter cents. So in the commerce of the world, if you encrease the quantity of circulating medium beyond the fair demand for it, you depreciate its value, and encrease the nominal value (the price) of every article to which it is applied. Hence, it is gross ignorance to suppose that doubling the quantity of money, as money, will add to the riches of a nation: the contrary will be the case, for high nominal prices are an obstacle to foreign exports and sales.

Dr. Smith observes [and Mr. Lowe urges the argument, *Present State of England*, p. 345] “a rise in the money price of commodities when peculiar to a country, tends to discourage more or less every department of industry carried on within it, enabling other nations to undersell it, not only in the foreign, but the home markets.”

It is evident also, that if the winnings and losings at such a game of cards, should amount to more than the number of grains of corn will suffice in circulation to pay, it will be convenient to distribute a few more to each person, to enable the

payments to be made without trouble. So in the commerce of the world, if the paper and coin together which constitute the *money* of the country—the circulating medium by which values are calculated, should not suffice to answer the required purpose, it will be prudent to encrease either the coinage or the paper issues; and this necessity can always be nearly guessed at, by the amount of real business paper offered for discount. All accommodation paper disturbs the calculation.

It is evident on the other hand, that if the grains of corn originally distributed, should be in more abundance than the wants of the players require, they may be thrown into the fire as useless: for if they have no value as circulating medium, they have no value at all. So in the commerce of the world, to encrease the quantity of money beyond the demands of commerce for circulating medium, is useless. It is worse than useless, because it tends to depreciate the value of circulating medium by a supply beyond the demand. To encrease the quantity of exchangeable bullion, considered as a mere article of trade, like ribbands, or grain, would encrease the wealth of the country; but coined bullion, constituting part of the circulating medium of the country is of value only when it is wanted to facilitate exchanges; and must be reconverted into common bullion to possess any other value.

Hence, money will follow like all other commodities, the invariable laws of cost of production, demand, and supply. If not wanted at home for circulating medium, the coined money will find its way abroad as bullion, to that market which will yield a profit to the merchant who exports it. Paper money, having an artificial, conventional, and no intrinsic value, is not liable to be exported. It drives coin out of the country; which is sent to pay debts or to purchase commodities where paper will not be taken. During the continental war in Spain, when coin was exported from England abundantly, Spanish doubloons of inferior standard value to guineas, bore a higher price in the London bullion market.

Much out cry has been made about the exportation of dollars from this country to China, and other parts of the East Indies. But this has been the out cry of ignorance. Where did we get our dollars? We did not grow them; we bought them. The cheaper we can buy our tea, our silks, our nankins, our china,

the greater surplus capital we shall have to invest in goods that will buy other dollars at the usual market. The dollars, like every other commodity, fled from the country where they were in abundance, to the country where they were more wanted. They did so when they inhabited South America; they will do so when they are called away from North America. The exportation of these dollars amounts to the exportation of the goods that purchased them. When we have more dollars than we want for the purpose of circulating medium, the best thing we can do is to send them away: when they become scarce with us, we must again purchase them with the products of our industry. Only let trade alone, and the merchants who live by it, will know how to conduct it. If they conduct it well for their own interest, the nation cannot lose. When dollars become so scarce at home, that it is worth while to import them from abroad, our merchants will be aware of the demand, and supply it. This is their profession.

The standard of value then *may be a real coin*, as a dollar or a guinea: the fluctuations in value of the precious metals though real, being every where considered as too slight to form a material objection to their use. The circumstances of the late European war which so encreased the range of fluctuation, were singular, and may not again occur.

Every standard of value will be confined and local in its application, that does not conform to the standard in universal use all over the world. In England, (and in this country where we imitate every thing too much that is English,) coin is of no use but to answer the purpose of small payments, and the demand on a banker when notes are brought in for cash.

But the standard of value *may be an imaginary coin*, as a pound sterling; which for a long time has never existed in the form of coin. This therefore is the standard unit of reference and calculation, or money of account, as Sir James Stuart calls it; to which all other commodities in England are referred: and answers the purpose full as well as if it were a real coin. It is the counter, the grain of corn legally adopted. When by law it is enacted that at the mint or coinage office of London, one hundred and thirteen grains of fine gold shall be considered as worth one pound sterling, and a coined and stamped guinea shall be considered as worth one hundred and eighteen grains of fine

gold, and also as worth one pound and one twentieth part of a pound, its value as coin refers to the standard unit, and is settled on no other permanent basis than positive law.

CHAPTER 14.

OF BANKS, BANK NOTES, BANK CREDITS, PAPER MONEY.

I have already defined what is usually meant by a bank. A place where one or more persons earn profit, by loaning to others the promissory notes of the bank, payable in coin on demand, at interest. Thereby substituting the credit of the bank for actual capital—the promise for the coin.

Banks receive in deposit, cash not wanted by the owner: and bills of exchange and promissory notes not yet due. On these, when satisfied of their goodness, they loan their own promissory notes.

Banks also discount the indorsed promissory notes of their customers payable in sixty days, by giving the amount of the note in their own bills or promissory notes, deducting the interest of the bill or note discounted for the time it has to run. In so doing, they gain as profit first the interest for sixty days on the discount they deduct: secondly, the substitution of their own credit by means of their own promissory notes in place of cash: so that the interest they receive, becomes profit.

Regular banks never discount any bill, or make any loan beyond sixty days: it being their duty to provide by quick returns of payment, against any sudden demands made upon them.

It is irregular for any banker to issue his own notes on any occasion unless on receiving an equivalent in return. This equivalent, is usually the bill he discounts; which is always required to have at least three persons severally liable for its payment when due, viz: the man who *draws* upon another: that other who *accepts* the order and an *indorser*, who negotiates it with the bank.

It is irregular to discount any such bill unless there is good reason to presume that it is presented in consequence of the real

exigence of actual commerce, and that it is represented by some existing commercial commodity.

All bank paper issued on mere loans, swells the amount of circulating medium beyond the demands of commerce; enhances the price of commodities; drives gold and silver out of the country; and substitutes fictitious capital for real capital. Hence no regular banker in England will discount what is called "Accommodation paper." That is, a note sent to be discounted, founded on no real business transaction, but meant solely to borrow so much money from the bank to trade upon. Suppose A wanting a capital of one thousand dollars, enters into an agreement with B to lend B his indorsement to that amount at another time, if B will lend him B's indorsement now. He makes the same bargain with C. He has now obtained three names on his paper, as is the condition required to get a note discounted. He receives the money, and endeavours to provide for the payment of the note at the end of the sixty days and the usual allowance of three days of grace; which are the customary forbearance among merchants after a note has become due according to the letters of the date.

A having been thus accommodated with the loan of one thousand dollars for two months, must accommodate B in return: who draws upon A at sixty days and gets it indorsed by C. This is discounted in the usual way; and B thus raises a borrowed capital for two months.

It is now C's turn, who draws upon B and A indorses the draught, and C procures a borrowed capital for a similar period.

The banker observing this alternation of the same persons as drawers, acceptors and indorsers, sees at once the nature of the notes so drawn; and that they are not founded on any real business transaction; but are a contrivance to get him to lend each of these people one thousand dollars. This if he be wise he will put a stop to: for the transaction is *prima facie* evidence that these traders are hard run: that they have overtraded their actual capital, or are desirous of embarking in some hazardous speculation. They are not going on in the regular way. He therefore runs a risk by continuing to discount such notes. Moreover, this transaction throws into the market of circulating medium, three thousand dollars beyond the demands

of real business, and therefore have a tendency to depreciate the notes of the banker.

For these reasons, and as these accommodation notes are the means of obtaining money under pretences impliedly true, but really false, no regular banker in England will support them.

In this country, among the other knaveries of banking, this is the most common and perhaps the most innocent. The banks well knowing the hazard of discounting notes of this description, but anxious to get money, have tacitly established in our seaport towns this rule: when a merchant fails, it is his duty, at all hazards, to secure his debts to the bank in the first instance, and at the expence of all his other creditors: if he do not, no bank will ever discount for him again. Many a cruel borrowing from friends—many a fraudulent purchase and sale, with full intent never to repay, has this bank maxim given rise to. Save your bank harmless, whatever becomes of your other creditors. Hence the few losses that bankers suffer notwithstanding the hazardous discount of accommodation paper.

But giving countenance to accommodation notes are injurious to the public; it demoralizes the persons concerned; it overloads the market with paper that is not what it ought to be, a representative of real capital; and the bank maxim is an absolute fraud on the rest of the community for the benefit of persons who have been themselves most usually instigators of the evil, by this irregular discount.

I shall state briefly some of the benefits and some of the evils attending banks, with a particular view to this country, and then propose some measures for the improvement of the banking system among us.

And 1st. Banks furnish safe places of deposit for money dangerous to be kept in private houses.

2nd. They furnish convenient and expeditious means of making payments of every description by means of checks; and of making loans by a credit in the bank books.

3rd. They enable three fourths of the coin of the nation to be converted into useful and productive capital, instead of being locked up in chests to make payments when needed. An established banker may conduct his business with one third or one fourth of the cash amount of the notes issued, when his credit and solvency are unexceptionable. This is an advantage

of great consequence in a country of extensive trade. It converts a prodigious amount of dead stock of the most expensive kind, into efficient and productive stock.

3th. They put industry into motion by the loan of temporary capital for sixty days, sometimes renewed. This amounts to the creation of a new capital; and when there are objects and industry enough to absorb and employ it, the effects are beneficial to the public.

4th. They supply the capital necessary to extend commerce, when there is not coin enough for the purpose.

I copy now from the commencement of a report of the committee appointed by the legislature of New York State to enquire into the currency of the state: presented February 24th, 1818, by Isaac Pearson, chairman.

"The committee are fully satisfied that banking establishments are highly beneficial in a country like ours, with an extensive external and internal commerce, by affording facility in making remittances, and in transmitting large sums from one part of the country to another: in affording temporary loans in the head market towns at particular seasons of the year, for the purchase of produce: and in seaport towns where large capital is vested in shipping engaged in foreign commerce; by enabling the proprietors, by means of temporary loans, to purchase fresh cargoes and dispatch their vessels. (To which may be added, the habit of punctuality in payments, and in the performance of money contracts, which the practice of banks has introduced.

So far (say the committee) we believe we are warranted in saying that experience has shewn that banks have been very beneficial to this state. And it would give the committee pleasure, if they could stop here, without violating their characters as legislators and as guardians of the public welfare." They then proceed to state the existing evils of banking.

"Banking establishments, increased as they have already been to a great extent in the interior of the State, counteract all the beneficial effects expected from them."

"Instead of facilitating exchanges and the transmission of money from one part of the State to another, it has rendered this impossible to be done without great loss, in consequence of local banks having engrossed the whole circulation of their neigh-

bourhood, whose notes have depreciated abroad to the great embarrassment of internal commerce."

"They enable the unprincipled speculator who has nothing to lose, to impose on the honest, industrious, and unsuspecting part of the community by flattery and misrepresentation: obtaining from them borrowed notes and indorsements till their ruin is consummated and their farms sold by the sheriff. Facts of this kind are too common and notorious to need any illustrations from the committee."

"They defraud the public, by adopting a variety of schemes to get their notes in circulation; such as placing a partial fund in a distant bank to redeem their paper; and after the fact becomes generally known so that their paper is at par in that quarter, issuing an emission of notes signed with ink of a different shade, at the same time giving secret orders to said bank, not to pay the notes they signed; subjecting the holders of them to loss and disappointment; compelling them to sell the notes for any price they would fetch, and to return without accomplishing their business. Others by a different stratagem issue what they call 'facility notes' purporting to be payable neither in money, or produce; thereby rendering their name only appropriate, but facilitating the ruin of the unfortunate holders."

"They give large accommodations to individuals conditionally; to some that they will keep in circulation a certain sum of notes designated by a private mark for a specified time, but in case they return sooner; he is again to be charged with discount on such sum for the remainder of the time. To avoid this, he is compelled to make journeys into distant countries to change the notes for those of other banks, thus squandering his time and money for their benefit. In other cases advances are made and discounts afforded to needy persons on terms and conditions clearly usurious, a detail of which is contained in the report."

The committee then say, they feel themselves compelled to go still further with a detail of the abuses of banking privileges.

"Of all aristocrases none so completely enslave a people as that of money, and no system was ever devised so well calculated for that purpose as banking establishments, in the mode that many of them are now conducted.*

* I fear much of this observation will gradually apply to the banks of the United States.

“By holding the purse strings of society, and monopolizing all the circulating medium of the country, they form a pecuniary standard by which property of every description is valued; thus rendering the whole community dependent on them; proscribing every man who dares oppose or expose their unlawful practices: and if he happens to be out of their reach then his friends are made the victims, so that no one dare complain.”

“The merchant who has remittances to make abroad, is content to pocket the loss occasioned by a depreciation of their money rather than hazard their resentment by asking them for specie or current notes. And here the committee desire to state as a fact, an instance where the board of directors of a bank passed a resolution that no man shall hold a seat at that board, or receive any discounts at that bank who shall trade at a certain store in the same village; in consequence of the owner having asked for a certain sum less than \$4,000 in current money to remit to New York; while at the same time he kept account with that bank ”

“The committee in taking a general view of our state, and comparing those parts where banks have been for some years established, with those that have had none, are astonished at the alarming disparity. They see in the one case, the desolations made by the banks in societies, that were before prosperous and happy; the ruins they have brought on an immense number of wealthy farmers, hurled from independence into ruin and despair. The committee beg leave to state a fact to illustrate the manner in which these ruinous effects have been produced. A farmer, comfortable and independent, wishing to raise the sum of one thousand dollars to assist his children, was told by a director, he could get it out of the bank without risk or difficulty, and he would endorse his note for him, and continue it to suit his convenience; with which the farmer complied. At the first renewal he was told the note must be paid; that the bank would press the payment; but as that was not in the farmer's power, the director said if the farmer would give him one hundred dollars besides the discount, he the director would obtain the renewal, which he did: and at subsequent renewal the same premium was given; but a judgment was also required in favor of the director. On this judgment put in suit without; the farmer's

knowledge, his farm was sold by the sheriff and bought in by the director for less than the judgment."

The committee then go on to complain, "that the numerous applications for our banks, and the facility with which bank charters have been obtained, encourage the hopes and expectations of adventurers and speculators of all kinds; and tempt unauthorized corporations to assume the character of banking establishments against all law."

"The committee believe the present circulation of the states, principally consists of notes of those banks whose nominal capitals are small, and composed principally of the notes of the individual stockholders called *stock notes*. So that the security of the public consists of the private fortunes of individual stockholders; and those fortunes in a great measure consist of the stock of the bank for which they have given their notes. So that the bank is enriched by holding their notes; and they are enriched by holding the stock of the bank. And as these banks make large dividends, many rapid, and (such as are considered) solid fortunes are made."

The committee go on to acknowledge, that all institutions are subject to abuses from the misuse of the powers granted to them; and such powers ought no longer to be granted when it appears that the abuses greatly overbalance all the benefits derived from these institutions. The committee quote as in coincidence with their own opinion, the sentiments of the governor of the state, delivered at the opening of the session, in direct hostility to the establishment of any bank in places where the temporary wants of extended commerce or manufactures do not absolutely require them; and who suggests, that as the business has been managed, the agricultural interest which needs no bank, has been the principal sufferer. He prays the legislature to turn a deaf year to applications for new banks; every new establishment encreasing the evils of, metallic money banished, commercial confidence destroyed, the exhibition every where of fictitious capital, civil prosecutions encreased, crimes multiplied, prices injuriously enhanced, and credit unnecessarily and dangerously extended."

All these truths have not yet made the legislature of that state either wise or cautious; there are too many speculators in the legislature: the same may be said of New Jersey, Pennsyl-

vania, and indeed a majority of states in the Union. The influence and importunities of interested individuals have had too much weight. The conflicting interests, and the over abundant manufacture of small paper money by local banks, have rendered it difficult to travel through the United States: the barrier impediments of despotic suspicion in Europe, are not more vexatious than the necessity of changing the character of your small notes at every day's journey you make: the money of one state will not pass in another: small metallic money is superseded by filthy rags of equally minute denominations; and every bank locality occasions a loss more or less of your paper money. This is more vexatious than expensive, but it is both, while it ought to be neither.

It has not been uncommon for directors to divide among themselves chiefly, not merely the profits of a bank, but the capital itself, and then leave the holders of bank paper to seek their remedy where it is to be found. Or, to sell out, after declaring a large dividend which has absorbed the capital of the bank, to tempt purchasers by this fraudulent exhibition of great profits. See for the practical objections to banks the report against bank monopolies on Mr. Creary's motion in the legislature of New York, February, 1825. The report is signed by Mr. C. Colden, as chairman.

Nor is to be regarded as a trifling objection, that the facility of procuring bank loans, especially where there are many corporations of this kind struggling to get business, tempt the borrowers to extravagance in their domestic habits, and to the conversion of capital into expenditure; a course of conduct that as surely leads to national poverty, as its opposite does to wealth. Moreover, the facility of manufacturing paper money is no slight temptation to inordinate issues; and a beautiful engraving is no slight inducement held out to ignorant people, to accept of paper in payment, which has no intrinsic value to recommend it.

Nor is it a slight objection that they tempt to the crime of forgery. English juries have become wearied and nauseated with these numerous prosecutions and refuse to convict.

Another evil of the banks, not noticed in the preceding reports, is, that they are liable to be converted into party engines of great political oppression: they will be so. This is a great

objection. It is hard says Franklin for an empty purse to stand upright: no needy man can be a politically independent man. The object of the United States bank in this way is not yet felt, but its influence may be all controlling.

The croud of insolvent debtors, whose petitions incessantly call aloud for a bankrupt law, whose future exertions are paralyzed for want of one, and whose transactions in trade have in numerous instances brought disgrace on the commercial character, and disgust at the laws of our country—owe their ruin in at least nine instances out of ten, to the facilities given by banks to the discount of accommodation paper. Banks are so numerous, that their profits would be greatly lessened if they were as in Great Britain, steadily to reject paper of that description.

Hence they become participators of the fraud on the public by which that credit which is only due to real capital, is incorrectly and ignorantly given by the public to its counterfeit.

I greatly doubt the constitutional right of any legislature whatever to charter a banking monopoly, and to give privileges to one class of citizens that are denied to the rest. The pretence that the general welfare requires it, is a pretence only: and a pretence that will serve the purpose of any other species of privileged orders. Let any man or number of men carry on this business of money brokage and discounting, as they do any other kind of business: no monopolies, no prohibitions. Let those who do issue promissory notes which they wish the public to credit, issue them on the guarantie of the property real and personal of every member of the firm; making all transfers of real property during the continuance and for six months previous to the institution of a banking establishment inquirable into in case of failure of the firm, so that the partner or any of them may not clandestinely exonerate their property from the responsibility of paying their debts. The practice in Scotland whose private banks are on the first footing, might be examined and adopted. To allow men to run in debt *indefinitely* upon the responsibility of a *limited* capital, amounts in fact to a licence for fraud and roguery; as it has too often proved to be. Why should the rule be different in the case of bankers from any other trade or calling? It is not so in North Britain; and ought not to be so any where. On these principles, bankers of solid property who deserve credit, will obtain it. I agree to the following observations of Mr. Riccardi.

“The power of increasing or diminishing the circulating medium to any degree they may think proper; is a power which should neither be entrusted to the State itself, nor to any body in it; as there can be no security for uniformity in the value of the currency, when its augmentation or diminution depends solely on the will of the issuers.”

“There is this material difference between a bank and all other trades. A bank would never be established if it obtained no other profits but those from the employment of its own capital: its real advantages commences only when it employs the capital of others. Other trades on the contrary, often make enormous profit by the employment of their own capital only.”

“But the profits of the bank essentially depend on the smallness of the stock of cash and bullion; and the whole dexterity of the business consists in maintaining the largest possible circulation, with the least possible amount of their funds in the unprofitable shape of cash and bullion.”

“If a charter were about to expire, the public might question the policy of permitting a company to enjoy all the advantages which attend the supplying of a great country with paper money. Paper money may be considered as affording a seignorage equal to its *whole* exchangeable value—but seignorage in all countries belongs to the State.”

CHAPTER 15.

ON PAPER MONEY AND BILLS OF EXCHANGE.

Paper Money, consists of bills of exchange inland and foreign, promissory notes of individuals, bank credits, and bank notes. A great deal of the business of a commercial country like England and the United States, is carried on by means of paying debts by checks on bankers; that is a transference of the right of receiving money; a transfer of credit at a bank, from the debtor to the creditor. Private promissory notes between one trader and another, do not amount to any material sum. Bills of exchange, are means of paying when one of the parties lives at a distance or in a foreign country. Of these, I shall treat by and by. As these kinds of paper bear interest, they do not affect the value of circulating medium, but the interest market only. They

enter into the market of borrowers and lenders. Paper money, is a term usually and chiefly associated with BANK NOTES, which bear no interest.

This contrivance is not much in use except in Great Britain, and in this country. Forced paper the expedient of poverty in governments, is not uncommon in Germany and Russia, but the system of business appertaining to a banker with us, the voluntary substitution of bank notes for money, is not in use on the continent except very partially and to a small extent. There is one bank at Paris, but it has not succeeded in establishing branch banks in the great towns of the provinces. It issues no notes under five hundred francs (£93,75 cents.) The circulating medium of France may still be considered as coin, which is therefore plentiful in that kingdom.

A bank note, is a written promise to pay, a certain sum of money in current coin on demand to some person or to the bearer, at the banking house of the banker; and signed by him or by the cashier of the banking firm, on behalf of the firm. The country banks of England, draw their notes now, not payable in coin, but in bank notes of the bank of England.

The bank of England, like the bank of the United States, transacts the money business of the government; which in England has no copartnership share in the concern, as our government has. There is in England no other chartered or incorporated bank than the bank of England. The other banking firms or partnerships, are carried on like other branches of business, by those who think it can be made profitable to do so. But no more than six persons constitute a banking firm in England: in Scotland any number of partners are admitted; each partner is individually liable to the whole amount of his property for the partnership debts. During the continental war, while the bank of England was exonerated from paying specie for its notes, the country banks increased greatly, so as to amount I believe to treble the number at the beginning of the war in 1793. Many broke: after the peace took place they were still further diminished. I believe they amount at present to about seventy in London, and seven hundred and seventy in the country: all of whose notes constitute a part of the paper currency of the kingdom.

The bank notes of the bank of England, whose amount in 1793 was a little more than nine million sterling, and which during the war and for a couple of years after the peace, never I believe exceeded twenty-eight million in circulation, were made a legal tender under certain limitations by a compulsory law, during the continuance and renewals of the restriction act of 1797. They may therefore be considered during the restriction-act as partaking of the character of forced paper money, like that of the American revolution, the assignats and mandates of France, and the emissions of paper by the continental powers of Europe during the war: but

There were so many powerful and wealthy men, who found it their interest to support the credit of the bank of England paper;

It was managed with so much prudence by the bank directors, experienced and steady men;

It was in part so manifestly necessary to replace coin necessarily exported;

And such a prodigious mass of it was available in the payment of taxes, that the people circulated it voluntarily in hopes of its being in due time convertible into coin: an event that took place by Mr. Peele's bill compelling payment at the bank in coin or bullion when the demand amounted to a specified sum of reasonable magnitude. I shall therefore consider the bank of England, and English bankers' notes, notes of the bank of the U. States, and the bankers' notes of this country professing to be convertible into cash at the will of the holder, as paper money of a legitimate description and of voluntary circulation; and state the results that follow the various circumstances of its issue, while it possesses the public confidence, and thus circulates without any legal compulsion.

First, of its effect on the metallic-money part of the circulating medium: and *secondly* its effect on the market price of commodities, and on importation and exportation.

As to the first consideration.

If the labour and skill of the country has not full employment for want of capital, and the circulating medium of metallic money is fully employed, then an addition of paper money will have no effect on the circulating coin, but will be absorbed by

the new means of employing capital productively. In this way an addition to the circulating medium, founded on credit, has the same useful stimulating and productive effect, as so much additional capital brought into operation; an effect which in Great Britain and this country, has undoubtedly taken place from a cautious emission of paper money, when the demands of manufacture and commerce obviously required it: as in the production of new articles, the extension of old articles of manufacture, improvements in machinery, the opening of new markets. In these cases, the introduction of paper money to the amount so required, would have no effect whatever on the metallic medium of circulation. But by degrees the greater facilities of doing business afforded by paper in comparison with gold and silver, will gradually lead to its substitution. The coin then, no longer required for circulation becomes a merchantable commodity, valuable as a metal, and is exported in exchange and purchase for other commodities abroad, which bank paper alone cannot buy.

In this way by degrees the metallic circulating medium, being released from this duty of currency, becomes to the country a new productive instead of a dead capital, and adds greatly to the mass of national wealth.

If the paper money be established no farther than to leave coin enough to answer the purposes of convertibility at the bankers, and the purpose of small coin for market purchases of small value, the paper circulation does no injury but good. The only condition necessary *with us*, is to prohibit any bank note under twenty dollars. No point has been more clearly ascertained, than that the cause of the expatriation of coin in Great Britain, was the emission of notes under ten pounds sterling. Coin will surely be driven away, as it always has been, by the use of small paper money, which it is the interest of the bankers to force into circulation, to the particular detriment of the poor and the ignorant.

No bank note should be permitted to circulate, that is not issued for a *greater* sum than the highest denomination of coin used in the country. To this well established rule, I am certain we shall be driven in the United States. Ten dollar notes will assuredly supercede eagles, as dollar notes will expel dollars; and the deliberate promise on the face of a bank note, will be considered like a custom-house oath in England, as an

unmeaning ceremony of which the public have no right to exact a performance.

Indeed, to preserve a sufficient quantity of metallic currency, the better way would be to issue gold coin of fifteen, ten, five, and two and a half dollars value, and to prohibit the circulation of all notes under twenty dollars. That such a regulation may be within the constitutional powers of Congress, *I incline* to believe; because the regulation of the currency is a branch of sovereign power, whether that currency be of gold, silver, copper, or paper.

In this country, we can safely make this regulation: the abolition of small notes in England is a more difficult operation, owing to the immense amount payable by the people of that country in taxes, which it would be difficult fully to supply by means of coin. But the result of extending the small note system there, will be another restriction act.

The purpose of convertibility, and the proportion required to secure it, may be judged of as follows.

Suppose market interest to be four per cent, and legal interest five per cent: the average profit on capital will be about twelve per cent, or three times the interest in the market; that being the usual commercial profit, at least in England. In this country it is somewhat higher.

A banker, is at the expence of his plant, viz. his house and shop, clerks, engraved bills, &c. He loses also occasionally by bad debts. He receives, legal interest with the addition of the interest on each discount for sixty days; which together add nearly five per cent to his discountable capital. He also gets a profit on his circulating notes lost, or worn or destroyed by accident. His clear gains on his circulating capital, deducting all expences will be about four and a half per cent.

Suppose his capital one hundred thousand pounds: it ought to produce him a net profit of twelve thousand pound a year. What amount of circulation at twelve and a half per cent, will produce this income? About two hundred and sixty six thousand pound; two capitals and three fourths. But I believe that in a country accustomed to paper money, and where notes are cashed without scruple or delay on presentation, and in peaceable and prosperous times, a banker may safely issue three or

even four capitals, on the strength of one in his vaults; so that a capital of twenty five thousand pounds may bring interest on one hundred thousand. But where there is any hesitation in giving coin for paper according to the tenor of the bank note, they will be thrown in more frequently from the suspicion thus occasioned. If a banker issues paper beyond his means of cashing the notes presented, I cannot help regarding it as a fraudulent breach of promise, and an example demoralizing before the public: The public are deeply injured, when selfish speculation is permitted to quibble away the plain precepts of morality.

When bank notes are issued to this extent, it is manifest that they have a tendency as I have already observed, to drive metallic money out of the country, and to make it scarce and dear. Capital will not be permitted to lay idle; and as paper cannot be exported, coin will. This has been found to happen particularly when small notes are issued, as in our country, of ten dollars, and under. Such withdrawing of coin, will occasion a rise in the bullion market, and the paper money will depreciate compared with coin. This took place in our own country owing to the frauds at the first opening of the present bank of the United States. Indeed the first United States' Bank had not more cash paid in at its commencement than two and an half million of dollars; and the present one, in a still less proportion. At the accession of Mr. Cheves to the directorship, Mr. John Sergeant was sent to England and negotiated a purchase of cash; which with a steady diminution of discounts and paper issues, has put that bank on a permanently safe footing: so much so, that its present amount of money, will enable it gradually (if so disposed) to swallow up and annihilate every other bank institution in the nation. It is an engine of political influence so great, that I doubt the expedience of government having any controul whatever in its direction.

Bank notes being assumpsits, or promissory obligations to pay on demand to the holder, a specified amount of coin; the variations of the bullion market have nothing to do with that promise; made aforethought, deliberately, in writing, and without any specified limitation: more especially as those variations are generally owing as much to imprudent or fraudulent paper issues, as to any other circumstance. As we become a manu-

facturing country, the demand for coin to be worked up as gold and silver bullion will encrease; and the runs upon the banks from this cause will encrease also. I have observed this effect in Philadelphia. All this ought to be foreseen and provided against by a cautious emission of paper liable to be so employed. I should doubt the propriety of a banker ever venturing to issue more than three capitals. I would not be understood to insist on the impracticable condition, that every banker should have a dollar in coin in his vaults, to answer on demand every dollar on the face of his promissory notes; no banker could transact business on that condition. But if he sets out with a capital of one hundred thousand dollars in cash, he ought not to issue more notes on the strength of that fund, than will bring him as a banker. the usual, reasonable, average net profit, which the same capital would bring him if he employed it in wholesale, or mercantile business. Thus, suppose in this country average profits on a large capital, were fourteen per cent. That his plant clerks' wages, paper, engravings, &c. amount to one per cent; then in my view he acts unfairly if he issues on loan at six per cent, notes beyond two hundred and fifty thousand dollars, for that sum will allow him the usual and average mercantile profit; and he has no right to more. If he goes further, he speculates; and if he breaks, he ought to be considered a gambling bankrupt.

There are two circumstances essential to the credit of paper money, and when combined, sufficient for the purpose of keeping up its par value, and preventing too great a pressure in the amount of circulating medium. The one is, that no bank paper should be issued, or any note discounted except those that are reasonably presumed to be the offsprings of real business transactions which originate the demand for the paper: as real business becomes extended, the circulating medium must become extended also, and may be extended in this case, with manifest benefit to the community. Hence the loans of bank notes to create a borrowed capital, and the discount of accommodation notes to create a fictitious capital, are clearly paper issues beyond the demands of real business; and they swell the amount of paper medium to the detriment of every class in the community: they do more; they give to the persons so accommodated a false credit, by which creditors are lulled and deceived.

The other requisite is, that bank paper should really be convertible into cash on demand, according to the deliberate promise written on the face of it. The restriction act of 1797 in England, by which the bank of England was prohibited from paying their notes in cash, was not so bad in its effects by increasing paper money and depreciating its current value, as it was, by affording a legislative countenance to a deliberate breach of faith. The tone of honour and morality cannot but be lowered in a country where this is done. Nor can I see any good reason why conduct that would be deemed dishonest in an individual, should be honest in half a dozen individuals; or why dishonesty on a small scale should be universally reprobated, but connived at on a large one; unless on the distinction between a robber and a hero. It appears to me essential to our national and individual character, that the ethics here propounded, should receive support: but legislators and governments seem to consider that they are under no obligation to be guided in their public conduct by the *common* rules of morality. If it were otherwise, we should not have recourse to lotteries, and tipling houses to aid taxation; nor should we grant the privilege of cheating creditors to joint stock companies; nor should we patiently endure the frauds committed under insolvent laws; or be satisfied with a mysterious system of common law as it is called, too often founded on absurd fiction, and manifest injustice. At this moment there are forty-three banks, and twenty-two lotteries afloat in the small state of Rhode Island. Of these lotteries, eight are for the benefit of religious societies and for building churches.

Let us now *secondly*, enquire into the effect of an issue of paper money on the market of commodities.

While the increased emission of paper is called for to supply the means of more abundant products at home, or to supply more abundantly an increased demand in old markets, or the demand of new markets, or to supply the place of coin sent abroad for services not dependant on the emission of paper money previously—it does no harm: on the contrary it may be an useful addition to the circulating medium, called for by existing circumstances preceding the emission.

The concomitant circumstances of a general rise in the price of commodities, and a steady decrease of bullion, especially when accompanied by an unfavorable course of exchange,

amount together to sufficient proof of paper being too abundant in the market. When, in a country like Great Britain and the United States where the currency consists partly of convertible paper, and partly of coin; the issues of paper money are too abundant, the whole currency becomes depreciated in respect of commodities in the market: the surplus therefore is gradually exported: but as it is the gold and silver only that are exportable, the paper stays at home; and if the banks are so unwise as to supply the exported coin with equivalent issues of paper, the whole coinage will soon disappear. The only remedy for the evil is to lessen the amount of discounts, and bring the *whole* currency to a level with the business it has to perform: throwing upon it as much duty as it is capable of going through. Mr. Cheves, carried this practice to its full extent for the purpose of reinstating the credit of the United States' bank: under the then existing circumstances, I think wisely; though it bore hard on very many who borrowed paper and paid in coin.

When such an over-issue of paper has taken place, the following consequences ensue.

1. It raises the price of all commodities. Let the real demand for circulating medium be 4. Let the circulating medium be 4: the prices will continue as usual. Decrease the commodities one fourth, or increase the medium one fourth, and the prices will rise one fourth; on the common principles of demand and supply.

2. The effect of a rise of prices in the home market, is to deter from exportation, and to throw an obstacle in the way of foreign trade. It is true, foreign commodities will also rise in the home market, but such a rise can seldom be calculated so accurately, as to take away all risk of exporting a commodity enhanced in price at home. *Time*, ought to be considered as an element in our calculations.

3. The rise in the price of commodities, amounts to the same thing as a fall in the price of coin. Hence the price of bullion will drop at first, and it will be profitable to export coin, which will now be of less value at home than abroad; or to remelt it into bullion as a merchantable commodity either for home sale, or export. Hence every bank has a call upon it for bullion which compels an issue of paper as a substitute.

4. This process will at length make the market price of bullion gradually to exceed the mint price. Thus in England during the great export of bullion and coin, and the prodigious issue of paper from the bank of England, the guinea rose in paper price gradually from 20s. to 27s. 6d. The paper in its turn became depreciated still more from this circumstance; and public credit received a shock.

5. Hence also, the rate of exchange will be advanced in disfavour of the place where paper currency is issued in excess: for a bill drawn on London and there paid in depreciated paper, will not sell for so much abroad. The highest rate of depreciation will be taken into account by the foreign drawer and foreign purchaser of the bill, who calculates what sum in gold or silver, his draught will buy. In all these cases it is not the bullion price of goods, but the currency price that is raised. Hence the goods are not actually raised to the foreign consumer though they appear so to be; and though the encreased price affects the amount of exportation and the course of exchange for a considerable time, till the new circumstances become adjusted to each other.

Suppose 100 barrels of flour in the market, and the consumers and dealers in flour have five hundred dollars to spare in the purchase of this commodity. Flour will bring five dollars a barrel; at which price it is an exportable commodity. Double the currency by means of a paper money: the flour will bring a price in the market at which it cannot be exported, until it be found that the commodities imported are also raised in value. This is not discovered suddenly and simultaneously. Time is required to make the arrangements which a new order of things demand.

6. Another bad effect of over issues of paper currency, is, that they tempt to imprudent commercial speculation, and extravagant domestic expenditure.

7. They are in fact fresh capital thrown into the market, and occasion interest and profits to fall: an effect sometimes desirable.

Excessive paper issues occur

By discounts to persons whose regular course of dealings do not require it; as to persons not in trade.

By discounts to be used for purposes of speculation.

By discounts to support extravagant expenditure.

By discounts of accommodation-paper, (drawing and re-drawing) to persons overtrading their actual capital.

By discounts beyond sixty days, or by renewals in the nature of permanent loans.

By discounts of any paper presented without a sufficiently cautious discrimination as to the names on the face of it, from too great avidity of profit.

By any occurrence that occasions an extraordinary export of bullion.

By governmental loans and advances, usually made in bank-paper, like the unfunded debt of Great Britain.

Fluctuations in the amount and consequent value of circulating medium, have a most unfavorable effect on all the money transactions of the community. Thus

Suppose when the paper value, the market value, and the mint or coinage value of bullion, is one and the same, and the prices of all commodities steadily regulated on the usual data, a Judge's salary is three thousand dollars: a man lends on mortgage three thousand, or on bond to be paid two years hence a like sum: or lets a house and warehouse on lease for seven years at a given rent. Within a twelve month after, a batch of incorporated banks are established as in Pennsylvania, or New-York, or New Jersey, and nothing is to be had but depreciated paper money of these bank speculators; so that the market price of beef and bread, and butter, &c. is one thing in coin, and another in paper; as has been the case more than once within my own personal and practical experience in Pennsylvania. Is it not evident, that payments made in this kind of currency, or in paper of almost any kind in lieu of coin, proportionably diminishes the real value of the payments? and that it operates to the irremediable injury of all persons who are compelled to live on fixed salaries or incomes and who are paid in this depreciated currency? In Kentucky, the current paper at Lexington is or very lately was at a depreciation of fifty per cent; owing to the absurd course that has been pursued by the legislature there.

On the other hand, if a bank (as was the case with the United States bank, during the greater part of Mr. Cheves' administration) is extremely reserved and cautious in discounting, the value of money of all kinds rises in proportion; and those who borrowed when money was cheap, are compelled to payment

when the currency is enhanced in value. Hence it has become a desideratum to solve the problem how money contracts for time can be safely and equitably arranged. Sir W. Blackstone says that many rents of College lands, were settled some centuries ago by the foresight of the monks, to be paid not in money, but in wheat; and the depreciation of the currency has been thus avoided. In England many persons call aloud for an adjustment law.

The universally received currency all over the world is gold and silver. Bank paper convertible into cash on demand, is a species of currency common in England, in the United States, in the metropolis of Paris, and as I hear in Botany bay, but not elsewhere.

Hence, all bank notes are promissory notes to pay the amount specified in the legal current coin of the country, unless otherwise expressed; gold and silver are universally understood as the currency of payment on demand. If the promise be not kept, it is an undoubted breach of contract, and a fraud on the person who has purchased the note with articles that would have purchased an equal amount of gold and silver. The English restriction act of seventeen hundred ninety seven, altho' excusable perhaps from necessity, looked very like legalizing dishonesty by act of parliament. A bank note or any other promissory note, not convertible, into gold or silver on demand, may be secured by landed or personal property; or by governmental guarantee to any amount beyond the value of the note; but it will not be of any use out of the confined locality where (by mutual convention) it passes. Thus a promissory note of the State of South Carolina, would not be worth one hundred cents in Boston, if the cash could not be obtained for it when remitted, or if it could not be sent back in payment for cotton; and in Germany for instance it would be worthless. When it no longer performs its promise of purchasing cash, no distant trader to whom it is offered will credit its power of purchasing cotton, where the cotton can command cash. Every species of paper currency, is for commercial purposes depreciated, in proportion to the difficulty of procuring metallic coin or bullion for it. If the notes of the State bank of Carolina are worth any thing out of the state, it is because the United States bank receives them and compels their redemption in coin. At present their

discount in the northern states is no more than the calculated expence of conveying the coin to the place where the notes are taken in payment, as in the case of bills of exchange.

Suppose a dozen persons with no money of less denomination than five dollar notes to play at loo, and agree to distribute grains of Indian Corn as counters, at the value of eight grains to a dollar knowing each others resources, the grains of corn while limited in number to the wants of the players, would be worth in the room one eighth of a dollar each; but they would be of no value elsewhere.

Mr. Ricardo is of opinion, that provided bank paper were issued under commissioners independent of the ministers and of the parliament, like the commissioners of the sinking fund in England, proceeding on the principles of keeping the notes within the real demands of trade for circulating medium, that a paper circulation might dispense with coinage of metallic money. So it might if confined within any given country, but in no other. It amounts only to a question how far you can extend the local credit of money which is intrinsically worth nothing. Such notes would not be current out of Great Britain. Coin is current every where. In fact, the return to cash payments has been found absolutely necessary to keep up the credit of an English bank note; and the like necessity has been felt with us. No bank will fail sooner or later of involving in loss or ruin the holders of its notes, if this condition of convertibility be not complied with. After the long experiment of more than twenty years in England, with the power of government, aided by the wishes of the nation to establish an inconvertible paper currency; and after the experience of the Bank of the United States, it is in vain to say that any confined locality can succeed against the universal conviction and practice of all the rest of the world, who cannot be induced to join in the measure.

Mr Grenfell a few years ago, February, (1816.) suggested in the house of commons of England, that the power of issuing paper money, might be exercised exclusively by the government of the country. I am inclined to think so too, if it were not for the conviction that it is a power too formidable and too tempting to be entrusted to any government whatever, monarchical or republican. Its abuse would be inevitable. The very establishment of the United States' Bank among us, was a gross

usurpation, supported on the ground of expediency, by very many who would not venture to support it on the ground of constitutionality.

I dread the interference of government in any thing that can be regulated by individuals whose interest guides their proceedings. Why may I not be at liberty to take my neighbour's promissory note if I have a good opinion of his solvency and integrity? What objection is there to Stephen Girard's notes? I am unshaken in my opinion that every bank charter is unconstitutional: depriving the great majority of citizens, of rights which they are entitled to be protected in exercising; and conferring exclusive privileges on another class, upon motives and pretences often fraudulent, seldom excusable, never justifiable. Our legislatures were not erected for the creation of privileged orders of any kind. But the representatives have too much of a fellow feeling with the bank speculators. And when we see in Great Britain, the effects of one hundred years' experience in banking, with but one chartered bank in the kingdom, and that one too many, the policy of our monopoly privileges and exclusive rights, may well be doubted in a republic where all laws should bear equally on every class, and all kinds of innocent industry be equally protected.

The despotic doctrines now so fashionable of public expedience and general welfare, may be used to sanction any measure however interested, absurd or unjust. Of all aristocracies, a monied aristocracy is the most selfish, unfeeling, and oppressive.

The deleterious effect of banks in Pennsylvania as I have witnessed them; commencing about twelve or fourteen years ago, and not yet gotten rid of, ought to be recorded.* Paper currency by means of these mushroom banks chartered by

*See a very sensible pamphlet "On the (deleterious) influence of paper money on the national prosperity, by a bank stockholder:" Philadelphia, Jan 25, 1825, fifteen pages, no booksellers name. I agree with this writer, that the actual paper money system has upon the whole, had an unfortunate operation on our dealings both at home and abroad. That no paper ought to be issued which is not convertible into cash on demand. That bankers have no more right to cheat the public by fraudulent lying, and breach of promise, than individuals; and that all paper money under ten or rather twenty dollars, ought to be gradually suppressed, to be issued no more. The history of paper money in

an ignorant legislature, become profusely distributed in every village throughout the state. Almost any one could procure bank discounts: property of all kinds rose rapidly: towns were built where there was neither good land around them, a well peopled neighborhood, or distant commerce to support them: town lots in the wilderness rose as high in apparent value, as if they were situated in the center of New-York or Philadelphia: no coin appeared: not only extravagant speculation, but extravagant living prevailed almost universally: ignorant men became for a time intoxicated with the facility of procuring without labour apparent wealth. Salary officers of all kinds, persons living upon rents, or on the interest of loaned money were compelled to suffer a reduction of income from the encreased price of all commodities. Creditors were paid in depreciated money: all contracts dependent on future payments were deranged.

By and by, banks began to fail: directors had speculated upon their funds, and dividends had been made on the supposition of universal solvency: discounts were lessened: individuals, particularly farmers, were pressed and stopped payment: estates innumerable came under the sheriff's hammer: the speculators in accommodation paper stopped payment, with funds secreted, and fraudulently transferred; to the ruin of unsuspecting creditors, and the notorious depreciation of the national character: lawsuits were multiplied, and poverty became almost too common to be lamented as an evil.

The bank of the United States felt the necessity of refusing and curtailing discounts: it pressed the State banks: they pressed the country banks; and these in their turn, discounted no longer. Hence, people could no more pay the demands upon them with accustomed punctuality: failures innumerable took place: mercantile operations became disordered: and coin was seen no more. Debtors who borrowed depreciated currency, were called upon to pay in money enhanced in real value from its scarcity: land now fell below its fair price: and the country is even yet but slowly recovering from the disturbance in which it was thrown by these operations. The mistakes of ignorant and the frauds of arbitrary governments in depreciating the coin-

Great Britain, furnishes no reasonable temptation to adopt the paper system. If it can gradually be laid aside with us, the sooner the better, notwithstanding its many undeniable uses.

age of a country, have precisely the same effects: and I doubt if any distinction ought to be made in the morality or the practical results of the two operations here reprobated; the one on the metallic currency by lowering the standard, the other on the paper money of a country, by the ignorant multiplication of banking monopolies. Other reflections of deep interest occur on these proceedings, all of which have passed under my own observation, and therefore I should willingly record them that they may be considered in the point of view they deserve. But to detail more precisely the consequences liable to follow, would lead me to encroach upon the subject not of political economy but of politics, which it becomes these lectures to leave untouched in its details.

During the latter part of the year 1825, and the spring of 1826, many banks failed in England.* Some of these in respect to landed property were solvent. But if a banker possesses only real estate that he lets upon rent for five thousand pounds a year, and upon the strength of that issues bank notes to the full value of his estate, it is a fraud on the public: for he gains the rent of the estate, and the interest on the notes whose circulation is based upon the same estate. The holders of the notes expect money, not land; and the public have a right to expect that the banker shall be content with one kind of profits.

* *Failures of Bankers in England.*—In answer to an enquiry on this subject in the National Gazette, we can state on good authority, that from the 1st of January, 1825, to the 21st of March, 1826, the number of commissions of bankruptcy against bankers, was sixty-five; the number of partners in their firms was one hundred and fifty-two. The number of bankers gazetted during December, January, February, to March 21st, last past, amounts to forty-one firms, consisting in the aggregate of one hundred partners. The whole number of bankruptcies in 1825 was one thousand two hundred and thirty-one; and in 1826 (to 21st of March) nine hundred and sixty-one.—*N. Y. Ev. Post.*

CHAPTER 16.

ON BILLS OF EXCHANGE, INLAND AND FOREIGN: THEORY OF EXCHANGE.

A bill of exchange is an order by one person on another to pay to a third person; or to his order, a sum of money specified, at a certain time and at a certain place.

When the parties live in one and the same country, it is an inland bill of exchange: when they live in different countries it is a foreign bill of exchange.

If England be debtor to France, and creditor to Spain, and France be debtor to Spain, all this is settled by what is called the arbitration of exchange; for England remits to France, bills on Spain. Hence in common cases, exchange is at par every where or nearly so; and the high or low rate depends on the fluctuation of currency, and the market value of bullion. For before a merchant buys a bill of exchange, he considers at what rate he can remit his balances in bullion: if bullion be low in the home market, he sends off bullion. If high, he purchases and remits bills. Par of exchange, as I shall have occasion again to remark, is, when a bill on a foreign country will command as much fine gold or silver in that country as its described amount at home.

If a factor in Charleston has sold cotton to a merchant in Boston; and a manufacturer of domestic goods in Boston has supplied a store in Charleston, the Boston merchant can buy a draught or order for money, of the Boston manufacturer, on the storekeeper at Charleston and remit it to the factor at Charleston, who will receive the money from the storekeeper. This is an inland bill of exchange; and the money contemplated on all hands is of one denomination only, in current money of the United States.

If a merchant of Salem, trading to China, has sold teas at Hamburgh, and a merchant in Philadelphia has imported German goods from Hamburg, his broker can buy a bill of exchange on Hamburg drawn at Salem, which the Philadelphia merchant can remit in payment to his Hamburg correspondent. Here there will be a calculation necessary how many shillings at Hamburg are worth a dollar in the United States.

When a bill drawn in Philadelphia will produce as much pure gold or silver at Hamburgh as it sells for in Philadelphia, exchange is at par. If thirty five shillings at Hamburgh will purchase there one hundred and thirteen grains of pure gold, and the pound sterling, is calculated by consent in drawing a bill of exchange at London on Hamburgh at thirty five shillings, then is exchange at par between Hamburgh and London.

The system of bills of exchange, is adopted for the purpose of enabling credit to supercede coin in foreign transactions, and as they travel more conveniently and at a cheaper rate than a bag of money, to save insurance, interest, and the cost of transportation.

Exchange brokers, are persons who deal in bills of exchange, buying them drawn on every country, wherever the price paid is likely to afford them a profit. To these persons, merchants who want to draw upon, or remit to a foreign correspondent usually apply; and pay or receive according to the current price of exchange in the respective cases.

The course of exchange varies

1. According to the balance of trade between two countries.
2. According to the value of current money in the two countries, whether it be paper or coin.
3. According to the market price of bullion.
4. According to the expence and risk of remitting metallic money from one country to another.

It is manifest, that when two merchants of different countries deal together, they must pay their respective debts either in goods or in coin: for the paper money of South Carolina will not be current in Liverpool, Hamburgh, or Portugal.

The merchant indebted on the balance, seeks out therefore to buy a bill that he can remit to his foreign creditor that will answer the purpose of metallic money: and the maximum price of the bill, is regulated by the risk and expence of transmitting metallic money to the foreign creditor. For if the price asked for the bill, exceeds this expence, it is worth his while to buy bullion and remit it, rather than purchase a bill at a higher price.

If the trade between Charleston and Liverpool be such, that a considerable balance must be paid to Charleston, bills on Charleston being scarce at Liverpool will be dear there, on the

common principles of demand and supply. That is, the course of exchange will be against Liverpool. Bills on Liverpool will be plentiful and therefore cheap at Charleston, the supply being abundant in the market. In this case the Liverpool merchant goes to an exchange broker and enquires if there are bills in the market on Charleston; if so, he buys to make a remittance; if not, he enquires the course of trade and buys a bill perhaps on New York, knowing the dealings between New York and Charleston. This he remits to the Charleston merchant, who remits it to New York to pay his debts there. This can almost always be managed; because although a merchant may buy from a foreign country beyond the amount he exports thither, he cannot live, unless the whole of his concerns brought him a profit; therefore although he be indebted to England on the particular balance, the general balance of his mercantile dealings, will be in his favour. Hence, although the balance of trade may be unfavourable with a particular country, it never can be so with all countries; for if it were, all commerce must stop; and all the merchants must carry on a losing trade as a class of men. But this we know is not the case.

Sometimes it is more expedient to pay a debt in coin than in a bill of exchange; owing to the fluctuations in the market price of bullion. The usual par of exchange in Great Britain, regulated by the quantity of fine silver in a Spanish dollar, compared with the mint price of bullion, is four and six pence sterling per dollar. In the spring of 1793, I bought Spanish dollars in London at four shillings two and a half pence, and four shillings and three pence: during the continental war, dollars were stamped at the mint at London, and passed for some time at five and two pence, sterling. At that price, New York and Philadelphia would find it advantageous to remit dollars to Birmingham and Manchester. Bullion has for many years been cheaper in Portugal and Spain, than in the rest of Europe; it being a produce of their South American colonies. In future, Great Britain and the United States will partake of that produce in return for goods directly exported to those colonies now liberated from the yoke of Europe; and bullion will become scarce in Spain and Portugal.

A fluctuation in the market price of bullion, varying as in the preceding instance, nearly one shilling sterling in the dollar,

or two ninths in the price, must afford great room for speculation, and alter materially the course of exchange, making it unfavourable in proportion toward that country where bullion is scarce and dear: for every kind of paper money will be depreciated in the proportion. It is the business of the exchange broker to note these fluctuations of the market, and calculating their effect on the interchange of bills of exchange, to buy and sell his bills accordingly. Thus:

A factor in Charleston buys goods at Manchester at twelve months credit: they are invoiced to him at one thousand pounds sterling, par of exchange four and six pence per dollar. In a few months a dollar becomes worth four and eight pence in the English market: it is evident the English manufacturer loses the difference; for the cotton in payment is invoiced at the required number of dollars; and so therefore is a bill bought of the cotton factor to be remitted to Manchester. This is one of the inconveniencies of bullion having a market value as raw material, independent of its value in coin. But we have no other material for coin upon the whole so good: and therefore gold and silver continue to be the currency of the civilized world.

Par of exchange, then, (equality of exchange) in relation to currency, is, when a bill for one thousand dollars drawn in England will actually produce an equal amount of pure silver in the United States; and *vice versa*. If one hundred pound in England will buy a bill on Charleston that will entitle the holder to one hundred and one pound (or the bullion to that amount) in Charleston, to one hundred and two pound in Philadelphia, and one hundred and three pound in Baltimore, then the par of exchange is said to be one per cent against Charleston, two per cent against Philadelphia, and three per cent against Baltimore.

Exchange therefore fluctuates according to the demand and supply of bills in the market, depending on the trade between the two countries, and according to the value of bullion respectively in the market where the drawer lives; and the foreign market where the payer or acceptor lives.

When a bill is drawn in New-York on Charleston, for one thousand dollars, the bill cannot be sold for its presumptive value, if when it arrives at Charleston it is paid in paper money that will not command one thousand dollars. The quantity of dollars in paper will be calculated at New York, that according

to the known course of exchange must be given at Charleston for silver dollars, and the difference will be the exchange between New-York and Charleston. Hence every depreciation of currency, whether it be by adding too much alloy to coin, and thereby debasing the standard, or issuing such an amount of paper money that the market is overstocked with it, injures commercial credit, and renders the course of exchange unfavourable. The risk of payment in silver dollars, is always a little more than compensated by the calculators who draw the bill; and the uncertainty attending the transaction always has an unfavorable effect on the par of exchange, and the credit of the country drawn upon. Toward the latter end of the year 1792 when assignats were in circulation at Paris, exchange in favour of London on Paris, amounted to seventy per cent.

Exchange is always calculated on the bullion price of the currency in which the bill is to be paid at the place of its destination, whatever denomination that currency may be; the question being in fact, what weight of pure silver or of gold is the drawer entitled to, and what weight will his bill fetch in the foreign country. A pound sterling ought to be considered as of equal value with one hundred and thirteen grains of fine gold at the mint; and a Hamburg merchant drawing on England during the time when a pound sterling in paper was depreciated one fifth in its value, would add to his bill of exchange a sum equal to the paper money that would buy so much gold; or he would draw a bill of the nominal value, and sell it at the market rate of discount, regulated by the real value in bullion of the currency in which it is to be paid in London. So that in the extended commerce of civilized nations with each other, there is no escaping the effect if the universal standard of metallic value, every where adopted for want of a better.

Depreciation of currency has always a temporary effect on the par of exchange in the way above explained; but it is by and by counteracted by a proportional rise in the goods sold, when they are to be paid for in depreciated currency. So that the price of goods like the price of bills is ultimately regulated by a bullion payment. But it requires an interval of time before this takes place: during which interval, the vibration is an evil.

The difficulty of transmitting payments from one country to another, has an unfavourable effect on the rate of exchange;

for a bill of exchange is a substitute for the transmission of money. During a great part of the continental war after the peace of Amiens, Great Britain paid France yearly from five to seven millions sterling a year in guineas, for grain which was permitted by connivance, to be smuggled from Calais, Havre, and Dieppe. The risk of transporting the coined money in direct disobedience of law, no doubt enhanced the price of grain. This source of expence in time of peace is not very great, but it may be so in time of war: and as a bill of exchange is a substitute for the coin, its value is encreased, by the difference of risk and expence between transmitting a piece of paper, and a large sum of metallic money. Upon the same principle as the usury laws are a tax on the borrower.

The effect of the continental war on the course of exchange in Great Britain, was to lower it gradually from eight and ten to twenty and even thirty per cent in some instances in disfavour of that country.

A great quantity of paper in the market—a continued unfavourable course of exchange—and a continued increase of the price of bullion; so as to make the market price exceed the mint price, are sure signs of a depreciated currency when they occur together for any length of time. Either of them, alone, may be fallacious; but when concomitant, they amount to reasonable proof. The whole doctrine of exchange seems to point out, the absolute necessity of insisting on the convertible character of paper money: convertible into the universal standard of Europe, whatever that may be. All inconvertible paper, tends to raise the price of every commodity produced in the district of country that employs it, and to tax the consumer, and burthen the sale of produce unnecessarily and injudiciously. I greatly doubt whether governmental security, or even the pledge of real property, would be available in forcing the circulation of paper, which could not be exchanged for gold or silver on the common terms and principles of bills of exchange: for what foreign nation would take it? It might answer local purposes, but not the general purpose of the commercial world.

CHAPTER 17.

OF COMMERCE: HOME TRADE: FOREIGN TRADE: CARRYING TRADE.

In a new country, like the United States, agriculture is necessarily the first employment. By degrees, surplus produce and surplus population compel the establishment of manufactures; first for home consumption, secondly for exportation. Surplus food and raw material of every kind, and surplus manufacture, compel the introduction of commerce. We must have something to sell abroad, or we cannot buy. Agriculture never approaches to perfection in a merely agricultural country: knowledge and exertion are stagnant in such a country: the stimulants to exertion, and the means of enjoying life to the utmost, are wanting in such a country: and although it may be overrun with its own surplus population, that population will not equal the one half of what can be maintained in a country where manufactures and foreign trade are combined with, and come in aid of agriculture. In proof of these positions examine the state of Poland, Hungary, Austria, Russia, of Sicily, of Egypt: of Ireland and Scotland, till the linen and cotton manufactures were introduced. It is obvious, that the more sources of wealth there are, the more means of enjoyment, the more and greater incentives to exertion and accumulation, the more varied and desirable the consumable produce—the greater will be the industry and the wealth of such a country; the greater its capital; the more efficient will be the means of supporting a permanent and productive population. This is not all: the great improvement in all kind of knowledge, and almost in intellectual attainment of every kind we owe to the stimulus afforded to mental exertion by manufacture and commerce. Among the agricultural nations of the antients, there were poets, writers of heroic songs, and of love songs; a few dramatists, and some historians of battles and revolutions caused by the wars of nations who had scarce any other amusement or employment than war. But antient authors have done little to advance those arts of life, by which human existence is made more comfortable, prolonged, or secured from pain. Among the most polished nations, (as the Romans at the

commencement of the christian era) the apartments except of the first class in point of wealth, were small and inconvenient, they had no chimnies to their fire places, their persons were uncleanly from the continual wearing of the same woollen dress; they fed themselves with their fingers as the Bedouin Arabs do yet, their feasts were gluttinous, their food coarse; and wealth was every where distinguished by magnificence and profusion, without comfort.

All the stimulus to scientific attainment, has been the result of manufacture: the great sources of improvement in the comforts and enjoyments of life, have been manufacture and foreign commerce: and to foreign commerce we must ultimately look for the diminution of national hatred; even though we may despair of its extinction.

But these views of the subject lead to no theory of preference or legislative regulation: manufactures and commerce like agriculture to be successful, must depend on individual exertion guided by the strong motive of self-interest. Every step on the road which is made naturally, on the impulse of preceding circumstances subject to the general laws of human nature, is surely made, and permanently gained. All the forced steps made in consequence of governmental theories and encouragements, are the result of short-sighted, inadequate, inaccurate knowledge, and will have to be retraced. Experience has settled these truths.

Whenever the period comes for the establishment of manufactures in an agricultural country, individuals with accumulated capital will look round to see how it can be otherwise employed if agriculture opens no further source of employment. The anxiety of individual self-interest, is far more sharp-sighted and calculating, than any legislature can be. If the governments of Russia, Poland, Sicily, Spain, Portugal, have not succeeded as manufacturing countries, the obstacles can easily be traced to their form of government, and to the temptations in which despotism is so liable to indulge, of governing too much. This is the besetting sin of power.

Commerce is the barter and exchange, or the buying and selling of commodities desirable to persons who become the purchasers and consumers of them. It consists essentially in bringing such commodities from places where they are comparatively

cheap and plentiful, to places where they are scarce and dear. It is the great source of all improvement in the comforts of life: importing not merely the commodities, but with them the knowledge, experience, and useful practices of other countries. It is commerce to which we must ultimately be indebted for the making one family of all the nations of the earth. This result though far off, is yet in view: and free ports will be the efficient means of it. The commerce which is confined to one nation or country is the *home trade*: the commerce which embraces other nations, is *foreign commerce*.

The inland or home trade is every where more extensive and beneficial than the foreign trade. The inhabitants of a nation consume the food produced at home: all their coarse articles of manufacture are for home consumption: nine tenths of the cloathing of nine tenths of the people are of domestic manufacture: the greater part of their furniture is so too. Foreign countries furnish customers who must often be tempted to purchase foreign commodities. The value of grain alone raised in the United States is fully equal to the gross amount of exports.

The lowest modern calculation of the annual income of the inhabitants of Great Britain and Ireland is two thousand millions of dollars. The gross amount of exports from the United Kingdoms may be taken at two hundred and fifty millions of dollars, including commodities foreign and domestic. The gross amount of exports of the same description from the United States for 1823 was seventy four and an half million of dollars. Hence on these data, the foreign market of the British empire would be to the home market as one to eight, or one eighth. And this is in fact a reasonable approximation to the true proportion. The Foreign trade of no other nation is equal to that of Great Britain, and therefore in France for instance the proportion would be about one to twelve, or one twelfth.

In the United States we had at the last census, ten millions of inhabitants; men, women and children. Each of these require for their subsistence (food, cloathing &c.) in the way we live in this country, an income on the average of sixty dollars a year: our national income then will be six hundred millions of dollars. The gross amount of our exports foreign and domestic is seventy-four and a half million, which is like that of Great-Britain one eighth. This is probable; for compared with our

population and our capital, we are, if not equal in the proportion, certainly *next* to Great Britain as a commercial nation.

The home trade is more safe, more certain, more easy than the foreign trade. It produces no disputes: it tempts to no wars: it requires no navies: it administers to no governmental patronage and influence.

I consider almost all the wars of Great Britain from the restoration of Charles II, to the present day, as commercial wars. The last war on the European continent was converted by Buonaparte into a commercial war against Great Britain. His system is still pursued as far as it can be, against Great Britain, by the continental powers in nominal alliance with her. The late war between Great Britain and the United States, was a commercial war; instigated and urged on, abused and complained of, by the mercantile interest in both countries. The British navy, and our navy are the necessary results of foreign commerce. If Great Britain were to set her national debt against her gains by foreign trade, the pecuniary balance would be dreadfully against the system she has so long fostered. At this moment, the gross amount of her taxation of all descriptions, nearly equals the gross amount of her exports, on which her clear gain is not more than ten or twelve per cent. These statements might be more accurately verified by details, but they are sufficiently accurate as here stated and near enough to the truth, to reason from.

I consider therefore, in the present state of the world, the gains of foreign commerce nearly balanced by the expences incurred on account of it. For instance, our naval establishment cost us last year (1824,) about five and a quarter million of dollars: our exports were seventy four and a half million: affording a profit of twelve per cent, or nine million of dollars. But to the five and a fourth million, is to be added the interest of the national debt incurred by the late war; and the expence of our consular and diplomatic establishment. And when we consider that the principal of that debt is to be paid as well as the interest, my calculation will not be far wide of the truth, whether applied to Great Britain, or to our own country.

With all these expensive disadvantages, foreign commerce cannot be dispensed with. The nature of our country, our extent of sea coast, our want of markets for surplus produce,

and our avidity for European improvements, render it impossible to restrict foreign commerce, even if it were desireable. But allowing that it is not a source of pecuniary gain in a national point of view, it is a source of gain in every other point of view. It is the most efficient instrument in the improvement of civilization that we know of, and the benefits derived from it, cannot be calculated in dollars and cents.

Moreover, the navy of Great Britain, and the navy of this country, are necessary, not so much for the protection of foreign commerce (which has never yet any where repaid the pecuniary expence of its protection) but for national defence. Great Britain without her foreign trade and her immense navy supported by that trade, would not exist as an independent nation, a twelve-month. Nor can our extended coast be defended from hostile devastation but by means of the navy we employ for the purpose. We are fated therefore to proceed in our present course.

The whole use of foreign trade, is to import commodities that are wanted, at less cost than they are produced at home. This is the very basis and essential character of it. Hence, the principle of restrictions and prohibitory imposts, forbidding an article to be introduced from abroad BECAUSE it can be had cheaper from abroad—goes to the utter annihilation of all foreign commerce, which has no other employment, any where, than this. It consists essentially in fetching from abroad, and carrying from home, articles that are scarce and dear in one place and cheap in another. The restrictive system tells us in fact, that we shall greatly profit by being confined as prisoners within our own houses, without intercourse out of doors: that it is our duty to let our domestic neighbour grow rich on our credulity, and persuade us to buy from him an inferior article at a higher price. This is the principle adopted, and in fact acted upon by the promoters of the tariff law, and sanctioned by the present administration. A principle, which the same selfish motives, and want of knowledge, will gradually extend if possible, till our shipping be laid up to rot in our ports. For, the principle being adopted, where is it to stop? To talk after this, of our being the most enlightened nation upon earth, is a satire upon ourselves more bitter, than our enemies have it in their power to utter.

The *Carrying Trade*, is the employment of capital invested in shipping destined to earn freight. It is the same by sea, as waggoning on roads, or boating on canals is on shore. It is the mere conveyance of commodities for hire, from one place to another. This division of labour is useful for commerce; especially when persons accustomed to navigation are not accustomed to the varied knowledge required in a merchant. Many people moreover, may have capital sufficient to build and equip a vessel, who have not capital enough to load her; or knowledge enough to know how to dispose of the cargo to the best advantage. The profits of the carrying trade are highest when there is war between two foreign belligerents: in which case, neutrals only, can safely carry on the trade which was carried on by the belligerent nations before the war.

This state of things has given rise to two questions, neither of which I think can be considered as settled either in theory or in practice. These are

1. Whether free ships make free goods?

2. Whether neutrals are confined in case of war, to the trade they were accustomed to enjoy during peace. A question that arose about the year 1756, as, whether in a war between France and England, Americans may carry on a trade with the French colonies, which France would not permit in time of peace?

A few considerations appear to me to settle the *theory* of these questions. The *practice*, will depend on the right of the strongest. The more powerful states, will always be jealous of any gain that the weaker states may be enabled to make by their position as neutrals. But the fair question is, what rule does the general interest of the great family of nations call for?

A state of war is a state of evil: it is not only a misfortune to the countries engaged in it, but to all the world. That line of conduct ought to be pursued that will limit and lessen, rather than extend the evil. It is unjust therefore, that a belligerent should prevent a neutral from any fair benefit that arises from his neutrality, when one party is not damnified by it more than another, and while the conduct complained of is strictly within the limit of neutrality. What right can a belligerent have to extend the evils and prohibitions of war, to nations that have never injured him? Or to impute neutrality as a crime?

Again. A neutral vessel is the property exclusively, and exclusively subject to the jurisdiction of the nation whose citizens own and navigate it. It is part of the national territory: what right can a belligerent have to force his way into an American vessel after the goods of an enemy, more than to force his way for the same purpose on the American land? The pretence is the same in both cases; and I can see no difference in the right. But what nation would permit its territory to be forcibly invaded on such a pretence?

It is clearly the sense of all Europe (but Great Britain) that free ships make free goods. This was evident at the period of the armed neutrality instituted to enforce this principle: and although the management of Great Britain succeeded in detaching the parties from the league, one by one, the conventional declaration of the principle, has never been shaken by any formal disavowal. If therefore, there be a law of nations, obligatory because adopted by a large majority of the civilized world, this is one.

If two men choose to fight each other, that is their own affair; but assuredly it gives them no right to a rest or molest the passengers in the street who are peaceably following their own pursuits. The right of search, and the doctrine of the accustomed trade, have no other foundation that I can see, but the insolent jealousy of powerful belligerents, desirous of injuring their enemy indirectly, by making war also upon the commerce of unoffending neutrals.

The Americans however during the last war on the continent of Europe, got rid of these questions, by bringing the cargoes of a belligerent to an American port and selling them there. Thus, French goods could not be carried directly to the French Islands: the British forbade this: but French goods could be brought to America, and the American purchaser of them could carry them as American property to the French Islands. This course of proceeding avoided the risk of both questions. But it was an inconvenient subterfuge resorted to from dread of the tyranny of Great Britain.

If there was ever an act of folly approaching to madness committed by men pretending to good sense, it was the enforcing against the American trade, the British orders in council. America bought more from Great Britain than from all the

world beside. As a neutral, she carried on a great part of the commerce of Europe, and expended regularly in Great Britain, the whole of her gains, in the purchase of British commodities. This was the most efficient and the most regular supply of bullion that Great Britain enjoyed during the war. Her pride, her insolence, and her egregious folly, put a stop to it, and ultimately brought on the war with this country more to her own injury than ours.

The British writers on politics and political economy are now fully aware of this mistake: but until the present administration of that country, they have had no men at the helm, who had any ideas of political economy. Mr. Fox and Mr. Pitt, were mere declaimers equally ignorant of the elements of this science; and neither of them had any taste for it. Indeed, men habituated to talking, are never inclined to severe study; nor have they patience to eliminate truth by a strict deduction of reasoning, from facts carefully but laboriously collected. The political wisdom of England is more shewn in the reports of committees appointed by the house of commons, and in the protests of minorities in the house of lords, than in all the brilliant speeches of their best orators. Mr. Fox I believe never had patience to peruse the admirable work of Dr. Adam Smith, which is the undoubted foundation of the system of politics that now governs Great Britain, and must ultimately govern Europe. A system which has taken its commencement in Great Britain, where the truths of political economy as a science, are more generally diffused and acknowledged than in any other country, and are now familiar to their merchants, and manufacturers.

CHAPTER 18.

BALANCE OF TRADE: STANDARD OF NATIONAL VALUE.

Balance of Trade. If I am a hatter, and my wine merchant buys of me two hats a year worth twelve or fifteen dollars, and I buy of him, liquors to the amount of one hundred dollars, the balance of trade is against me, and I must pay him that balance in cash. But if I am a man of reasonable prudence in trade, I

shall earn enough by that trade to pay my annual expences, and lay by something for my family. So that although the balance of trade between me and my wine merchant, may be against me, my gains from other quarters are so much in my favour that I can afford to pay him in cash for the surplus of his demand. For cash, read hats: for I bought the cash with hats: I had nothing else to sell. I had no other means of procuring it.

What is true of one man as a specimen of a community, is true of the community. All trade is carried on, because it is *mutually* beneficial. The balance of trade is in favour of every country, or the merchants (who must be presumed possessed of common prudence) would not carry it on.

The dread of an unfavorable balance of trade, has been owing to the dullness of apprehension which has confounded gold and silver with wealth. Suppose the demands of commerce in a country required a currency equal to fifty millions of dollars or pounds, to carry it on with facility, and that sum would suffice; is it not evident that if you encrease the quantity by any means to double or triple the amount needed, you lower the value of it?

Suppose a card table, and twenty four counters distributed to carry on the calculations of the game; and there are no more. Another set of players enter; another table is formed, they borrow twelve counters from the first set. The counters now are reckoned at double value. Suppose a fresh supply of counters procured, and each table has thirty six counters; it is evident the stake continuing the same, the fresh supply will only make three counters pass now, for what one did before. Their utility is not encreased but lessened by having more than you want: encrease the number still more, and you will be compelled to reject the surplus beyond the wants of the game. If the counters be of ivory or bone, they will have no other value than as counters; that is, as circulating medium—currency. If they should be made of gold, they will have another and an independent value, as bullion; but that will not encrease their value as counters.

Suppose twelve counters should not suffice to carry on the calculations of winning and losing at a table, the players would set down their memoranda on paper with a pencil. So in the commerce of the world, draughts, checks, notes, bills of ex-

change, bank credits, do far more of the business of the day than coin. The wealth of a country, does not consist in these contrivances of calculation, but in the commodities to which they are applied.

Is not every article in demand, dear when it is scarce, and cheap when it is superabundant? If coin or bullion be in such abundance that the people do not know what to do with it at home, will they not send it abroad for something more wanted, more in demand?

But gold and silver it is said, are wealth preeminently because they will purchase every article in which wealth consists. So they will; and when they have done that duty at home, they will be sent abroad on the same errand, till no more of them remain than what is necessary to supply the permanent demand for them at home. They will, like every other commodity, be cheap when they abound, and dear when they are scarce.

Is not wheat of as much necessity as gold and silver? I have this moment (March 1, 1825) read a letter from Montevideo to Philadelphia. "Send no more wheat or flour here," says the foreign correspondent. "Our demand is one thousand barrels a month, and we have already in the market eighteen thousand barrels. It will not now bring nine dollars a barrel, and must fall still lower; if more be sent, no management can keep up the market to a reasonable price; it will become more and more a losing concern."

If this happens with wheat, an article of the very first necessity, why should it not with bullion, which can very well be dispensed with?

Suppose, we went upon a system of buying nothing from other nations, and demanding coin for all our sales: and assuming the impossibility that we could succeed in effecting this, what would be the result? We could not eat, or drink, or wear bullion: we could not build houses with it, or make beds, or carriages of it. Let it accumulate to the heart's desire of a friend of the balance of trade and non-import system—what must we do with our money? If there be any foreign articles wanted by us (and what nation has not such wants) we must send our money to buy the articles, because it will be cheaper to send money than any other scarce commodity. That is, we must send out of the country all the coin and bullion not wanting for home

circulation; and then we shall be in the same condition with the rest of our neighbours.

But how *can* we put in execution if we wished it, this selfish and useless scheme? The commerce of nations must of necessity consist essentially in the interchange of commodities, either directly, or by the intervention of some standard of reference—some current medium of exchange. Spain and Portugal heretofore excepted, all the nations of Europe, buy the bullion they want, with the commodities they have to sell. None of them can trade with another, except on this principle of mutual convenience.

The nation therefore that is so absurd as to expect to sell every thing for cash, and buy nothing by barter, will soon find itself bereft of customers, and the folly of the attempt will cure itself. In the mutual commerce of nations, the articles of industry peculiar to each, will always enable them to procure as much of the precious metals as may be necessary to establish a currency. Beyond this, gold and silver are of no other use than other raw materials of manufacture: in demand exactly as the commodities into which they are usually converted are in demand also. In no country, is this demand very extensive; for gold and silver are chiefly used and consumed in articles of luxury and ornament.

The balance of trade therefore on a national scale, may be considered as of no account, it being in a moderate degree in favour of every nation; otherwise trade would not be carried on.

Suppose I sell a couple of hats to a cheese monger, for the value in cheese and butter. Do we do not deal with each other, because it is worth the while of both of us to do so? Suppose I pay my wine merchant cash for five gallons of brandy, and a quarter cask of wine, should I do so, if I did not want the articles, as suitable to my condition and expenditure in society? Shallow politicians have practically acted on the shop-keeping maxim that what one nation gains by commerce, some other loses. The fact is otherwise: each gets its wants supplied, and both are gainers.

Much ignorant out cry has lately been made among us on the supposition that our imports from Great Britain were so much larger than our exports, that we should soon be ruined by the interchange. The balance of trade (it is said) will demand all

the coin in the country to pay it, and more too. How, I would ask, can a merchant gain by commerce, if his imports *are not* of greater value than his exports? Are not his profits composed of the difference? If I export one thousand dollars worth of goods, and import one thousand dollars in return, how am I benefited? To cover all expences, my imports must be of value in the foreign country at one thousand five hundred dollars. I have factorage, freight, insurance, wharfage to pay, and my own skill, labour and capital to be compensated.

Moreover, custom house entries are no criteria of the true amount of trade on each side between two countries. When exchange is favourable, much of the import is bought and paid for, not by goods entered at the custom house, but by bills remitted. Some of our own commerce will well illustrate this. A company at Salem or Nantucket fit out a vessel worth perhaps fifteen thousand dollars, as a south-sea whaler. They go the Pacific, and catch whales, and seals. They load with oil, spermaceti, whalebone, and seal skins. The three first articles they can always sell in Europe; Canton in China is a market for seal skins sometimes better than Europe. They carry cash and seal skins to Canton, and bring home a cargo of tea, valued probably at fifty thousand dollars, the result of a three years voyage. This is all profit: earned by labour and freight: requiring no custom house entry of exports. Yet it swells the amount of imports, as if the country were actually impoverished by this very lucrative importation. No export appears against it in the custom house books; and our modern politicians look with horror on the extravagancies of a commerce where so much is bought and so little is sold. These views and reasonings of ignorance, are yet extremely common among persons whose duty it is to know better; and even among some who write in the United States, on commerce and political economy. We may assume it then as a truth that the majority of mercantile men of any country will not be willing to purchase beyond their means of payment: if they were, the sellers would not permit a repetition of the practice. It is not the interest of either party. Hence upon a large scale, and upon the average of mercantile dealings throughout the world, there can be no losing balance of trade, other than arises from accidental and very temporary causes. If a few articles (few in comparison to the great mass of

trade) should be imported for which no payment is made by exported articles, the importer pays the debt by a bill of exchange drawn by some foreign creditor of the exporting nation. This is the foundation of that branch of money-dealing *the brokerage of foreign bills of exchange*, partly carried on by merchants and bankers, but chiefly by persons who make a business of obtaining the required knowledge. In some cases it may happen, that money has to be transmitted to pay a balance; but this is seldom the case, except with countries like Spain and Portugal, whose commodities consist in coin and bullion received from their colonies. Sometimes also, an accidental and temporary plenty of bullion in one country makes it worth while to pay a debt by these metals in another country where they are scarce.

The lamentations therefore that we formerly heard about unfavorable balances, deduced from the inspection of custom house entries ill kept and worse understood; or from an unfavourable course of exchange, are now justly considered as the results of ignorance and utterly unfounded.

If there be an undoubted balance of importation over exportation, it is no more than what ought to be. The value of *exported goods* alone is entered, and the importation in return ought to produce in this country a profit of fifteen per cent after paying all expences. But the imports are often purchased by bills of exchange or existing credits that are transmitted by letter. So that custom entries even when accurate can furnish no accurate information. Neither can an unfavourable balance be deduced from an unfavourable rate of exchange *alone*: because this may arise, 1st. From the necessity of transmitting money for want of bills: a case occurring so seldom except in Spain or Portugal, or in time of war, as not to be worth further notice. 2nd. From an excess of goods imported, so that bills to pay for them being in demand bear a premium. This is almost immediately counterbalanced, because it operates as a bounty to the exporting merchant, whose business encreases by this premium in his favour; for he furnishes the bills wanted. 3rd. From a depreciated currency: but this is gradually regulated so as to be merely nominal; the prices of goods being adjusted accordingly. 4th. From accidental and temporary difficulties owing to political events.

But whether the exchange do or do not indicate an unfavorable balance of trade, or whether such a balance do or do not exist in a pecuniary point of view, is of no consequence, for the trade so producing it, must upon the whole be advantageous, or it would be renounced. Is not the balance of trade against every man who lives upon a salary?

The mistaken and selfish views of the subject so long entertained, are remnants of those maxims of despotism by which power wishes to exalt itself, by the depression and degradation of all around. They arise from the desire of becoming great comparatively, rather than really: not by encreasing your own resources, so much as weakening the resources of others. It was this silly jealousy of American commerce that induced Great Britain to put in force her orders in council, and cut off an annual supply of six million sterling of bullion at the very period when she needed it most. Every country is jealous and suspicious in proportion as it is powerful, despotic, and ignorant.

Resolved to bear no brother near the throne.

I wish I could say that this narrow minded jealousy, this selfish determination to let no nation profit by our intercourse, was not at the bottom of the late tariff. But it was. It belongs inherently and essentially to the manufacturing system; manufacturers being by inclination and by interest, here and every where, monopolists.

If Political Economy had rendered no other service to mankind than to make them just and reasonable in this respect, it would be of incalculable benefit. It has taught us that human improvement, and national prosperity, are not promoted in any particular nation, by depressing every other, but by aiding, encouraging and promoting the welfare of every nation around us. That we are all in our turn customers to each other, and that no man or nation can become wealthy by impoverishing his customers. The richer other nations are, the more they are enabled to purchase, the cheaper they can afford to sell, the more improved they become in all the arts of living, in all intellectual acquirement, in every thing desirable for other nations to imitate or improve upon. That if other nations become powerful by our assistance, we also of necessity become wealthy and powerful by our intercourse with them: and that peace and good neighborhood are the means of mutual happiness among

nations as among individuals. Formerly these doctrines were considered as the closet dreams, the visionary projects of well meaning philosophers, ignorant of actual life. The discussions of Political Economy have brought them home to the understanding and the feelings of practical men engaged in commerce, or engaged in legislation: and we begin to see gleams of a brighter day, in consequence of the lights thus diffused.

Standard of National Wealth. It has been enquired what circumstances constitute a standard, criterion, or exponent of the encrease or diminution of national wealth.

This has been placed,

1. In encreased and decreased population: but population may encrease far beyond the demand for it, as in Ireland; in China, and ever since the battle of Waterloo, in Great Britain. Hence their colonies at Botany Bay, Van Diemen's Land, the Cape of Good Hope and Canada.

2. In the balance of trade: but this upon a national scale, is probably a nonentity as I have endeavoured to prove. Moreover, the evidence of it, viz: the custom house books, are never accurate, but grossly otherwise. Also, much commerce of the most productive kind does not appear on the custom house entries at all. As, all exports and imports in the shape of bills of exchange or other forms of paper credit.

3. In encreased revenue. This is too complicated a measure; and too much affected by taxation to be appreciable: and too much dependent on foreign commerce.

4. In favourable exchanges. This relates to foreign commerce alone, which is even in Great Britain not more than one seventh or an eighth of the home sources of wealth and prosperity.

5. In the rate of interest: this is an exponent partly of profits and partly of capital.

6. In the average rate of profit on capital.

Neither of these alone would answer the purpose: but the rate of interest, the profit on capital, and the gradual increase or decrease of population—in their concomitance, and compared together, would go near to furnish an answer to the question.

The rate of interest, and the rate of profits decrease from competition of capital; and when capital encreases beyond population: they decrease also from successful foreign competition

whether at home or abroad: also from inordinate taxation: and according to some, (Ed. Rev. March 1824 p. 14. Dr. Malthus' Pol. Ec. p. 317) from decreasing fertility of soil. But I deny that any soil need decrease in fertility, under a good course and routine of husbandry. By apportioning meadow and pasture to arable land; by manuring with crops ploughed in; by pursuing the Tullian husbandry and deep ploughing; by substituting fallow crops for fallows; by never taking two grain crops together; and by employing turnips, cabbages, and potatoes to raise stock, land may always be kept in heart.

But 6thly, Mr. Say and Mr. Ricardo consider a great and continual encrease of consumeable produce—of the productive energy of the country, as the principal exponent of national prosperity; and conceive that abundance of production will produce a demand for the commodities produced, and an encreased consumption of them. This is controverted by M. Sismondi and Dr. Malthus (vid. Rev. Encyclop. vols. 22, 23, 24) who contend, that demand ought to precede production, which may also overrun demand, and produce all the usual evils of stagnation of trade. The events of the spring of 1826, in Great Britain, seem to me to corroborate the views of Malthus and Sismondi beyond all denial.

7. Sismondi and Malthus are of opinion that the great indication of national wealth and prosperity is a moderately encreasing demand for labour and a correspondent rise in wages. This also has been propounded as a criterion by M. Herenschwand, in his book on population. Doubtless this is one among the undeniable proofs of encrease of capital, and encrease of demand for consumable produce.

Encreasing capital, encreasing demand, encreasing profits, encreasing wages, encreasing population, each of them progressing in a moderate degree, and not suddenly by fits and starts, are undoubtedly the sure exponents of an encrease of national wealth and prosperity; and indeed they usually go together. If there be not a tendency to a rise rather than a fall in the rate of wages, the mass of the people are not in a state of comfort or prosperity. The great problem which posterity has to solve, is how to distribute more equally and more beneficially among the whole mass of the community the wealth in all ways accumulated. In our own country, by the abolition of hereditary rank

and title, by the abolition of church establishments, and by the abolition of primogeniture, we have done much. Taxation encreasing progressively as income encreases, would be another step on the desired road. Perfect equality is neither attainable or desirable; but in Europe, the inequality in the distribution of the fruits of industry is far too great. A class of men rich beyond all means of enjoyment, look down on another class starving from want of necessaries, neither through illness or crime.

CHAPTER 19.

OF MANUFACTURES AND MACHINERY.

Beside the productive agency of capital, of skill, and of labour, I have hinted at the productive agency of nature: and it is by compelling nature to work for us that the great improvements of modern times in manufactures and in commerce are principally owing. This it is that raises us so much above the savage state of society, and renders life, comparatively, not a state of existence but of enjoyment. We have put in requisition the powers of wind, and water, of heat and cold, of magnetism and electricity. We have made the planetary system subservient to our hourly enjoyments; and we are proceeding daily in the glorious career of overcoming the obstacles which nature has placed in the path of our wishes, and of subjecting all her elements to our controul. This has been done by mathematicians, natural philosophers, chemists, and the mechanics who labour under their direction. These are the gifts of men of science to mankind; before whom the tribe of poets and orators and rhetoricians—the composers of speeches and plays and novels—will in due time sink into merited insignificance. Such men, are the inventors of play things for the childhood of society: whose labours have in instances innumerable made mankind the worse, in some very few instances perhaps the better: and even these few, it would be difficult to enumerate and substantiate.

The effect of machinery, is to become a substitute for labour. The introduction of machines, has always had the effect of throwing some of the poor out of employ for a season, as lately in the case of power looms, here as well as in Lancashire;

but the prodigious encrease of demand for labour they finally occasion, by lowering the price and thus encreasing the demand for the article they are employed to produce, far indeed overbalances the evil. The long experience of Europe has settled the question, that population is permanently supported and encreased by the introduction of machinery. One of the most ingenious arguments on the other side of the question, is Lord Byron's speech in the house of lords, on the Nottingham frame-breaking bill, lately published in Dallas' recollections of Lord Byron; it is a good specimen of plausible declamation in favour of the stocking-weavers, who would have been starved had his views of the subject been adopted.

Suppose for instance in that case, the improvement in the stocking frame had been prohibited at Nottingham: it would have been erected elsewhere: and the extension of sales and the increase of profit would have gone elsewhere. At present the weavers are encreased in number and prosperity by the great encrease of demand for the article, and demand for labour. It has been so with the art of printing, the cotton machinery, with the steam engine, with rail roads and canals, with the nail-cutting, the card-making, the screw-making, the carding machines of our own country. Were the argument to be deemed conclusive that no machine can be erected that throws out of employ a number of men though but for a season, all improvement must stop, for every improvement does so: each of them saves labour, or performs the labour of men more cheaply, or more accurately. The objection will lie from the first introduction of a sail in a canoe, to the last improvement in a man of war: from the Indian hominy block and hand carding, to the rice mill, the cotton gin, and Perkins' steam engine.

The introduction of machinery, at first lowers wages, lowers the price of the article, and encreases the profits of the manufacturer who introduces it. In a short time, capital flows towards the source of profit, and circumstances gradually arrive at their level. So long as the machinery can be worked exclusively by an individual or a nation, so long it is the source of encreased and exclusive profit. By degrees all improvements are extended; first at home, and then by very slow degrees to foreign nations.

Manufacturing machines may assuredly be detrimental to the labourers whom they throw out of employ. But as they produce a greater profit and a greater demand for the article, they add to the mass of wealth and of capital, the only source whence employment, wages, food, population, are derived. They are therefore beneficial to the nation because the ultimate effect is a balance of good. To the work people thus thrown out of employment, they are undoubted evils. It is easy for a speculating Political Economist to say, these discharged work people will turn their attention to some other means of employment. How are they to live in the mean time, if they have neglected to save when full employment enabled them? Their wages do little more than furnish them and their families with food from day to day in such a country as England. A week's want, will bring them on the parish. Moreover, the books of Political Economy do not sufficiently consider that time is one of the elements that should always be taken into consideration. It is not easy to move twenty thousand pounds from one branch of manufacture to another, or to convert a man whose life has been employed in spinning cotton or making pins, into a seaman or a farmer.

The introduction and improvement of machinery, then, appears to me always productive of more or less misery among the poor for a short time. But we are not to legislate upon every case where the imperfection of human arrangements, is productive of some portion of unavoidable evil. If the clear result of the improvement be a balance of good, we ought to be content. Good, pure and unmixed, is not to be expected in the course of human affairs. Moreover, why is an ingenious and industrious man to be prohibited from exercising his ingenuity and industry, when they give him an advantage over his less capable, less skilful, or less energetic neighbour? Are we to make laws for the protection of imbecillity? Or to put a weight on the shoulders of a strong man, that he may be brought down to the level of performance of his weaker competitor? If the introduction of machinery adds to profit, adds to the demand for the article, adds to the perfection of the article, adds to the wealth of the manufacturer and thereby to the wealth of the nation, and thereby to capital, and by capital to employment, by employment to wages and food, and by them to the mass of

healthy population.—If articles before scarce and dear, and confined to the few, are brought within the purchase of the many—and the comforts, conveniencies and pleasures of life made procurable at a cheaper rate—it is enough. We ought to be contented with such a result, although it be attended for a short time with an amount of evil which we are unable completely to provide against.*

CHAPTER 20.

OF GOVERNMENTAL ENCOURAGEMENTS

Of Manufacture and Commerce by Prohibitions, Restrictions, and Imposts on Particular Importations.

Suppose, at the debates on the framing of our federal constitution, or the constitution of any of our individual states, a member of the convention had gotten up and proposed that the legislature should have the power whenever it saw fit, to protect the industry of one class of the citizens at the expence of all the rest: or to grant exclusive privileges to one class at the expence of all the rest: would such a proposition have been carried? Or to prohibit the merchant from his accustomed trade, because some other citizens could not profitably commence a manufacture without this prohibition: or to tax the community generally in favour of any manufacturer whose business would be a losing concern without such a contribution in his favour? And should propose that these regulations should take place, whenever the general welfare of the community seemed in the opinion of Congress to

* The improvements by machinery may be partly estimated from the following instances:

The printing press was introduced into Paris in the reign of Lou. XI: it soon turned six thousand copiests out of employ, In Paris there are now sixty thousand persons who live by printing.

The stocking frame superceded nine tenths of the former labour.

The steam engines of Great Britain supply the labour of two millions of workmen.

A pin which took eighteen hands to fabricate in the days of Dr. Adam Smith, is at present made by a machine at the rate of sixty pins per minute.

The power loom, weaves a piece of shirting of twenty-eight yards in a minute. About fifteen English miles in length per day. (Heywood's discourse at the Liverpool Institute, 1824.)

require such an operation? Would such a proposal have been countenanced?

Would it not have been said, this is a government of liberty and equality: framed for the common protection of every kind of honest industry, and of all the citizens alike? How can the general welfare be promoted by taxing the whole community, to make up the losses of any individual who chooses to employ his time and money in a losing concern? What right can a government have to tax me, in order that my son or my grandson may carry on a trade profitably half a century hence, which is a losing trade now, and must be for many years to come? How can the community be benefitted by paying a manufacturer a bounty at my expence, taken out of my pocket, not for my benefit but for his? We want a government to protect equally the honest pursuits of all the citizens, and not to favour, or to foster one class more than the rest. This is not equal justice; and we will confer no such power. But ignorant and selfish legislators have gradually assumed this power, under pretence of promoting the general welfare: a pretence that would equally justify transferring the young wife of an elderly man to a younger man, as transferring the money of A into the pocket of B, without a satisfactory equivalent. Where will you limit the all-devouring pretence of the general welfare? Napoleon Buonaparte pretended it was for the general welfare of the French nation that he should repudiate Josephine and take to wife Maria Louisa. I suppose it was for the general welfare that Caligula appointed his horse to the consulship.

I know of no pretence, no motive that can be set up, so well calculated to cover and protect every possible fraud on the people's rights, as the GENERAL WELFARE. It has no limitation: it extends to all things, to all times, persons, places, and proposals. There is no tyranny that it will not authorize. If the proposal had been made at any of our confederations, in plain language exposing its real features, no convention could have transferred it to the government about to be framed. Its actual adoption by the federal government I regard as neither more or less than rank usurpation. It is the assumption of legislative power in a degree not conceded by any expressions in the constitution; not necessary to the purposes of the community; and

as at present exercised, professing to promote the general welfare by partial distributions of national protection.

These governmental regulations may be either prohibitions on importation, or bounties on exportation.

A foreign commodity may be prohibited entirely and directly: or partially and indirectly, by means of imposts laid on its importation.

Exportation may be encouraged by bounties, by drawbacks, by treaties of commerce conferring particular privileges on the manufactures and mercantile exports in some foreign country, with whom the treaty is made.

The gross ignorance so recently manifested on this subject in our own country, induces me to dwell particularly on this feature of the manufacturing and commercial system. A system founded on fraud, misrepresentation, and intrigue on part of the monopolists—and ignorance on part of the mass of the nation who are made the dupes and the prey of those speculators.

First then, *of restraints upon importation in favour of such commodities as can be produced at home.* I shall adopt in great part the reasonings and expression of Smith and Say on this subject. Wealth of Nations, B 4, ch. 1 and 2.

The following extract from Miller's Inquiry into the Statute and Criminal Law of England, (1822,) will furnish a proper preface for the succeeding remarks (p. 30:)

"2. Another set of laws which have greatly helped to swell the statute book, are those which grant *bounties on exportation or importation*, and those which prohibit exportation or importation for a limited or unlimited time."

"It is not within the scope of these observations to say any thing respecting the wisdom of the policy by which these enactments have successively been dictated. It is only alleged that their number has exceedingly incumbered the law, and that so many of them have been suspended, repealed, and re-enacted, either in whole or in part, that persons whose private interests lead them to consult them, cannot discover with reasonable precision either what the law was or is, with regard to almost any one commodity. The great law against importation is 3 Edward IV. c. 4. passed in 1463, which affords so excellent a specimen of the language used on subsequent similar occasions that it is here inserted. "Whereas in the said parliament, by the

artificers, men and women, inhabiting and resident in the city of London, and other cities, towns, boroughs, and villages, within this realm and Wales, it hath been pitiously showed and complained, how that all they in general, and every of them be greatly impoverished, and much injured and prejudiced of their worldly increase and daily living by the great multitude of divers chaffres and wares pertaining to their mysteries and occupations, being fully wrought and ready made to sale, as well by the hands of strangers being the king's enemies as other, brought into this realm and Wales from beyond the sea, as well by merchants, strangers, as denizens, and other persons, whereof the greatest part is deceitful, and nothing worth in regard of any man's occupation or profit; by occasions whereof the said artificers cannot live by their mysteries and occupations, as they used to do in times past, but divers of them, as well householders as hirelings and other servants and apprentices in great number be at this day unoccupied, and do hardly live in great idleness, poverty and ruin, whereby many inconveniences have grown before this time, and hereafter more be like to come (which God defend,) if due remedy be not in their behalf provided,'” &c. “The remedy then provided was the complete prohibition of the importation of almost every wrought article for use or ornament at that time known. In furtherance of the principle of this law, we have since taken one step after another until there is hardly one considerable branch of trade or manufacture that is not depressed or encouraged by a prohibition or a bounty. The woollen manufacture, linen, cotton, beef, verdegrease, gunpowder, leather, silk, sail-cloth and cordage, chip and straw manufactures, whale, cod, herring and pilchard fisheries, butter, cheese, lace, glass, sugar, and corn, have all, with more or less attention, become the objects of parliamentary indulgence. There have been one hundred and ninety-four acts passed, prohibiting importation and granting drawbacks and bounties on importation; one hundred and thirteen relating to the fisheries; twenty-three relating to sail-cloth and cordage; twenty-nine relating to the corn trade; and a proportional number upon other subjects, according to their real or conceived importance.”

That a monopoly of the home market frequently gives great encouragement to that particular species of industry that

enjoys it, and frequently turns toward that employment, a greater share both of the labour and stock of the society, than would otherwise have gone to it, cannot be doubted. But whether it tends either to encrease the general industry of society or to give it the most advantageous direction, is another question. The general industry of society, can never permanently exceed what the capital of the society can employ. As the number of workmen who can be kept in employment by any particular person, must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society, must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can encrease the quantity of industry in any society beyond what its capital can maintain. It may divert a part of it into a direction into which it might not otherwise have gone; but it is not always certain that this artificial direction will be more advantageous to society, than that into which it would have gone of its own accord.

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage indeed, and not that of society that he has in view: but this necessarily leads him to prefer that employment which is most advantageous to society: for society, is a term only, a word designating the mass of individuals, who compose it: and what is advantageous to the individuals, is so to the society which is made up of them. Nor is there any need for an artificial incentive in support of domestic industry. Upon equal or nearly equal profits every wholesale merchant naturally prefers the home-trade, to the foreign trade of consumption; and this to the carrying-trade. Particular circumstances arising from the character of the country, or war among other nations, may alter this general preference, but do not destroy the truth of this position. In the home-trade, his capital is never so long out of sight as it frequently is in the foreign trade of consumption. He can know better the character and situation of the persons whom he must trust, and the laws to which he must resort if he needs redress. He deals therefore as much at home, as he can. Home is in this manner the center, round which the capitals of every country are continually circulating, and towards which they are always tending, though by parti-

cular causes they are sometimes repelled towards more distant employments. Upon equal or nearly equal profits therefore, the disposition will always exist to employ capital at home; and to put domestic industry to productive employment, rather than foreign. Legislative interference, is not required.

Secondly, every capitalist endeavours to direct the employment of his capital so as to produce the greatest profit. That is, in support of those branches of industry of which the produce is likely to afford the greatest exchangeable value; for his profits are in that proportion.

But the annual revenue of every society consists of, and is always precisely equal to the exchangeable value of the whole annual produce of its industry. So that each individual in the pursuit of his own interest, is pursuing at the same time the true interest of the society. It is evident, that each individual in his local situation, and giving the steady and minute attention to his business, which is necessary to produce the greatest profit on his capital, is far more competent to judge how to do this, than any statesman or lawgiver can be. The statesman who attempts to direct private people in what manner they ought to employ their capitals, not only loads himself with unnecessary attention, but assumes an authority which can safely be entrusted to no man or body of men; and least of all to the persons who have the folly to imagine themselves competent to the task.

To give the monopoly of the home market to the produce of domestic industry in any particular manufacture, is to direct private people in what manner they are to employ their capitals. If the produce of domestic industry can be purchased of equal quality as cheap as foreign, the regulation is evidently useless; if not, it must generally be hurtful. It is a maxim with every prudent master of a family to make nothing at home, that he can purchase at a cheaper rate.

The taylor does not attempt to make his own shoes, or the shoemaker his own cloaths; nor does the farmer attempt to make either, if he can conveniently purchase them by the produce of his farm. All of them find it their interest to employ their industry in some way wherein they have an advantage over their neighbours; and to purchase with a part of the produce of industry so employed, whatever else they may need; whether this be done directly by barter, or circuitously by money.

What is prudence in the conduct of every private family, can scarce be folly in that of a nation. If a foreign country can supply us with a commodity cheaper than we can make it, we had better purchase it of that nation by some produce that we can more advantageously raise than the foreigner can, who supplies the commodity we want. The general industry of the country being always in proportion to its capital, will not be diminished, but left to seek out its most advantageous employment: this never can consist in making at a dear rate, what can be purchased at a cheaper. The value of the annual produce, is surely diminished by turning it away from producing commodities evidently of more value than those which it is tempted, directed, or compelled to produce. A commodity that can be purchased from abroad cheaper than it can be made at home, if made at home consumes unnecessarily and extravagantly a portion of industry that might have been otherwise productively employed; and the exchangeable value of the annual produce at home, is not encreased as the legislator intended, but is diminished by the mistaken policy thus enforced.

By means of such regulations indeed, a particular manufacture, may perhaps be sooner acquired than otherwise it would be; and after a length of time, may be made as cheap or cheaper at home than in the foreign country. But though the industry of society may be carried into a particular channel sooner than otherwise, it will by no means follow that the sum total of industry or revenue will be augmented by any such regulation. The industry of society can augment only as its capital augments; and that can only be augmented by savings out of income. But the immediate effect of such regulations is to diminish income, and therefore to diminish the only fund from whence capital can arise. Even though for want of such regulations the society should never acquire the proposed manufacture, it would not on that account necessarily be poorer at any period of its duration: for its whole capital and industry might have been advantageously employed upon different objects; and capital and revenue have been augmented with at least equal rapidity.

The actual advantages which one country has over another in producing particular commodities are sometimes so great, as the render vain all competition. By means of glasses, hot beds, and hot walls, grapes might be produced in Scotland; and

very good wine made, at about thirty times the expence at which it could be purchased from abroad. What should we think of a law to encourage the manufacture of Burgundy and Claret in the highlands of Scotland? But if there would be a manifest absurdity in turning towards any employment, thirty times more of capital and industry than would be necessary to purchase from a foreign country the commodities wanted, there must be a similar absurdity in kind, though not so glaring, in turning toward such an employment a thirtieth or even a three hundredth part more of either.

Whether the advantages which one country has over another be natural or acquired, is in this respect of no consequence. So long as the one country actually possesses those advantages, and the other wants them, it will always be more advantageous for the latter to buy rather than to make. It is an acquired advantage only, which one artificer has over his neighbour who carries on a different trade; yet they both find it more advantageous to buy of one another than to make what does not belong to their particular trades. So far Dr. Smith.

It is manifest that these difficulties thrown in the way of foreign importation, are the results of the efforts of home manufacturers to tax the home consumer for their own benefit: that is, to tax the nation; and by means of the tax so imposed, to enable the manufacturer at home to sell at a good price an inferior commodity; to ensure success to his own speculations; and to have the whole community at his own mercy in respect of the price demanded. By degrees, high profits will of course introduce competition, but the ends of the first speculators will be answered before this takes place: the whole operation from the beginning to the end of it, is a successful fraud on the community, of which the legislature has been made the instrument, and the public the dupe: and through the selfish clamours and interested misrepresentations of men, whose aim always has been, and for ever will be monopoly.

It has been said that although the prohibitions and imposts on foreign manufactures to encourage the home manufactures may be imprudent when the latter are fairly established.—Yet, that there are many manufactures desireable in a nation which cannot be successfully established in their commencement and in the face of foreign competition of long standing, without

encouragement on the part of government at home; which in such cases ought to be conceded.

To this I reply:

Every government is established to protect all its citizens equally, in the peaceable enjoyment and disposal of their honest gains. To encourage a manufacture unproductive at present, because those who are desirous of pursuing it, *promise* future success, is taking away the earnings of one class to give them to another, without any equivalent except in promises and possibilities, for which no guarantie is demanded, and none *can* be given. Nor can government have any other evidence of the future success of a proposed manufacture, but what is derived from the views and statements of persons interested to misrepresent; of persons, whose evidence would be rejected in any court of justice as unworthy of credit, owing to the strong bias of self interest under which it is given. It is evident that ministers of state, can have no evidence of the details either of a proposed or an established manufacture, unless from persons occupied in it, and who know the details of its present condition. But the evidence of such persons, goes to encrease their own gains, and to make their proposed speculations flourish at the expense of their fellow citizens: the governmental support given to it, is bestowed on evidence extremely suspicious to say the least.

Farther, these promises have been repeatedly made in England and in this country, but have never been kept. The manufacturers who have asked and obtained bounties and prohibitions for their own protection, on the expectation that in the course of a reasonable time the manufacture would no longer need them, have uniformly deceived this public expectation; and have in all cases required the permanent continuance of protecting, and in many cases of prohibiting duties. In every known instance, whether here or elsewhere, the promises have been ill founded, if not fraudulent.

The embarking in an unsuccessful manufacture, requiring the consumer to be taxed for its support, is always *prima facie* evidence of want of judgement; and surely constitutes no claim in favour of the person so mistaken, on the pocket of his more prudent neighbour. Nor can it be otherwise than a reasonable ground of suspicion in the government applied to.

Let it be granted that at some future time, five and twenty years hence for instance, by aid of the tax imposed on the consumer, the proposed manufacture will become profitable to the individual and to the nation, without any further continuance of the monopoly. I should be glad to know why I am compelled by government to work for my posterity of twenty-five years hence, instead of my immediate children, who are more nearly and dearly connected with me? A man expects, and with reason in a free government, to expend his individual earnings in *his own way*, and on *his own* views of propriety, and not to be compelled to contribute them in support of the distant speculations of other people. If it be said government *must* be invested with the power of providing and expending with a view to posterity, I acknowledge it: but let it be confined to cases of manifest necessity, where there is no reasonable expectation of the effect being produced by the voluntary exertions of individuals. Even in Great Britain, the construction of canals is left to individual enterprise; none of them have been undertaken by government.

If a manufacture be wanted, the want will give rise to the profit attending it. If there be no present want of it, there will be no profit: if no profit attend it, the want has not yet arisen. This is the universal rule of trade all over the world. Is a commodity greatly in demand? Supply it; for the demand will give rise to profit; if not, the want—the demand, is not yet sufficient to justify the speculation.

Moreover, what is the proposal to protect an infant manufacture, but to ask of government to become manufacturers, and employ the petitioners as their agents, paid by a tax on the consumers? Qui facit per alium, facit per se. If government is to render it profitable by means of such a tax, government is in fact the undertaker—the speculator! Is this a purpose for which our ministers of state, our legislators, were appointed? Ne sutor, ultra crepidam; let them attend to their proper business. Capital will as surely associate itself with demand, as the sexes will with each other. The one is not more a law of nature than the other.

Again. The most profitable and extensive manufactures in the world, the cotton, the pottery, the woollen, the iron manufactures of Great Britain, according to Mr. Lowe, have no pro-

hibitory laws in their favour, giving them exclusively the home market. They commenced, they increased, they have attained their present eminence without protection, and why should not others? The woollen manufacture indeed has some laws in its favour, that operate at the expence of the farmer, as the prohibition to export sheep; but none that exclude foreign competition in the home market, so far as I recollect.

If it be urged that a patent right is a monopoly, I deny it: for the consumer is neither compelled directly or indirectly to purchase the patent article. If it be his interest to do so, he does it: if not, he seeks elsewhere: no market is shut against him, or even obstructed in any manner or degree. A patent deprives no man of any means of purchase, of any right or privilege, previously enjoyed. My neighbour has no more reasonable claim upon the labours of my brain, than he has to my horse, my house, or my furniture.

Suppose at the commencement of the cotton plantations of the Carolinas and Georgia, the planters had applied to government for a premium on planting cotton for a dozen years. I know of no case that would have furnished a stronger claim. Might not government have said very properly, "Plant your own lands in your own way: if you can profit more by planting cotton than by raising indigo, do so. This is your own affair." Has not cotton succeeded without the aid of government? For the prohibition of the import of cotton is a farce; who can import cotton into Charleston from abroad with profit?

Again. Is not every patentee equally entitled to the benefit of prohibitory laws, as the proposer of a new manufacture? A steam-engine maker for instance, to a prohibition of all steam-engines?

Moreover it is clear, that if it be proposed to employ one hundred thousand dollars for instance, in a new and dubious manufacture, it is an imprudent investment, if that capital can be surely, safely, and with equal profit employed in modes already known, ascertained, and opened. Yet where is the country that is so full of capital that no means occur of employing it? Not even in Great Britain.

Upon the whole it seems, that this notion of protecting new establishments, by taxing those who are compelled to purchase the article, arises from ignorance.

Ignorance, that if commercial industry can supply a commodity cheaper than manufacturing industry, a prohibitory impost, is not merely a tax on the whole mass of consumers in favor of the manufacturer, but it is a wanton act of injustice toward the persons who have engaged their capital in commerce.

Ignorance, of the true nature of government, which is appointed to guard and protect; not direct the industry of individuals.

Ignorance, of the fact, that promises of future national benefit, and a period when the prohibition shall be needless, have never yet been fulfilled.

Ignorance, of the known law of trade, that the disposal of individual capital should be left exclusively to the persons most interested in employing it to the best advantage.

Ignorance, of the known law of evidence, that no man interested to deceive, is to be trusted on his own representations in his own favour.

Ignorance, that capital not created but removed, puts in circulation no additional industry, if it yielded common profit.

Ignorance, that government never did, and probably never will interfere to regulate trade without doing mischief.

Ignorance, that no nation can gain by any manufacturing monopoly, which forces the consumer of the article to pay a greater price for it, than he did before—thus taking money out of the pocket of the farmer and planter, to make good the losses of a speculating manufacturer.

Ignorance, that the great source of national prosperity capital, can only arise from surplus income; and whatever detracts from that surplus, lessens national prosperity by lessening capital.

Ignorance, that every law of this description furnishes a temptation to smuggling, and injures the moral feelings of a nation.

Ignorance, that the nation which has had most experience on this subject, Great Britain, is at this moment retracing all her steps and putting an end as speedily as circumstances will admit, to every law that created an obstacle to free trade. Suggestions have been made, that ministers mean as soon as possible to abolish the corn laws of that country.

None of these reasonings apply to the prohibiting or obstructing the setting up of any manufacture, by any individual or set of individuals. They have a right to judge for themselves. Government was instituted, not to direct but protect them. Let those who on reflection think that a capital employed in any manufacture new or old, will produce them a desirable profit, employ their capital as their judgement may dictate: all I should ask would be, let them do it at their own risk, not at mine. Not asking or expecting any share of their profits, I ought not to be compelled to contribute to their losses or their gains.

This subject however is so important, and unfortunately so little understood by the legislators and statesmen of this country, that at the hazard of some tautology, I shall give further views of the question from the discussions of M. Say in the first volume of his treatise on Political Economy.

When authority throws itself in the way of the natural course of things, and says to a producer, “the commodities you raise although the most profitable, are not the most suitable; you must raise some other”—they direct part of the productive energies of the nation from objects more desired, to objects less desired. In France about the year 1794, some persons were prosecuted and even brought to the scaffold for converting arable land into pasturage; which assuredly they would not have done, if meat had not been more wanted than grain. But said the public authorities, we would rather have the value of fifty francs in wheat than one hundred in butcher’s meat; without reflecting that under the then existing circumstances, fifty francs worth of meat would be worth much more, and would purchase much more than that value of grain: and whether at home or abroad, a sacrifice was compelled of a more valuable in favour of a less valuable commodity: that culture is best for the nation that yields the largest returns—the greatest amount of exchangeable values. It is best also for the farmer.

Again, it is said to be more eligible to buy produce dear when the price remains in the country, than to buy it cheap of foreign growers. Not considering that we obtain no products, but at the sacrifice of others we give for them; and the less we give the greater the amount remaining.

If government completely excludes any foreign article, then the home consumers are abandoned to the mercy of the home producers, who are not guided by any criterion of the prime cost of the article and reasonable profit, but they get as much as they can for a commodity of inferior workmanship because there is no competition. If articles are not prohibited, but merely saddled with an impost duty in favour of the home manufacturer, the duty is so much clear gain to the manufacturer taken out of the pocket of the consumer.

If it be said that the advantage of producing at home, counterbalances the high price paid for the article—that our own capital and labour are engaged in the production, and the profits are pocketed by our fellow citizens—my answer is, the articles we might import are not to be had gratis; we must purchase them with values of home production which would have given equal employment to our skill and capital; for all products are ultimately bought with products; and although the manufacturer may be enriched by our being compelled to purchase from him, we (the consumers, the nation) are not enriched by being compelled to pay him a greater amount of our industry than we should have paid to the foreigner for the same article. *We* (the nation) are the poorer by all the difference.

Who then are so importunate for high duties on impost, and prohibitions? The producers, the home manufacturers of the particular commodity, that applies for protection from all foreign competition: a competition always beneficial to the public, and by means of which the rest of the nation without exception are the gainers, not only in the value demanded for the article, but in the quality of it. Public interest is always the plea of the monopolist, and self interest the motive. Well, but say these gentry, are they not the same thing? Are not our gains national gains? By no means: the excess of price is taken out of the pocket of your neighbour to be put into yours: he is so much the poorer for it; while the amount of values in the nation is so much less in proportion as you are enriched. If I pay one hundred dollars a year for the consumption of my family laid out in imported wollens, and I buy from you the same quantity for one hundred and twenty dollars a year, it is to me a loss of twenty dollars put in your pocket. You produce the same values to the nation for one hundred and twenty dollars, that a foreigner

would supply us with for one hundred dollars. If your profit be a reasonable average profit on your capital, this is all loss to the nation: if your profit be high and beyond the average, it is unreasonable; and the public are literally defrauded to this amount on false promises and pretences. The manufacturer might have found out the means of employing his capital and industry so as to produce reasonable profit, as well as myself: the same means were open to him; and why am I to be deprived of my income to make up for his want of judgement and foresight? A government using its power to enforce this inequality of taxation, surely exceeds the authority delegated to it: for no man in his senses would a priori confer this power of committing wanton injustice. I see not how to escape from this plain argument: if the mass of consumers can get a given number of yards of cloth from abroad for a given sum, and cannot get more than half the number at home for the same sum, it is a loss to the country of so many yards of cloth, if they are compelled to buy at home instead of abroad: and the country is poorer by the difference. The amount of values—of useful articles in the nation, is lessened by this operation on the part of government. Many people must submit to be scantily clothed after the monopoly, who were plentifully supplied before it: or must be contented to put up with an inferior commodity at the price of a good one.

There is in general far too little attention paid to the serious mischief of raising prices on consumers. The evil is not apparent to a cursory observation, because it operates piece meal, and is felt in a very slight degree, on every purchase or act of consumption; but is really most serious on account of its constant recurrence and universal pressure. The whole fortune of every consumer is affected by every fluctuation of price in the articles of consumption; the cheaper they are, the richer he is, and vice versa. If a single article rise in price, he is so much poorer in respect of the whole: and since the whole nation is included in the class of consumers, the whole nation must in that case be the poorer in respect of the whole. Besides which, it is crippled in the extension of the variety of its enjoyments, and prevented from obtaining products of which it stands in need, in exchange for those wherewith it might procure them.

It is no use to assert what one gains another loses when prices are raised. For the position is not true except in case of

monopolies; nor to the fullest extent even with regard to them. For the monopolist never profits to the full amount of the loss of the consumer. (For if it be a prohibitory duty, the monopolist gains nothing but the duty, while that duty is a basis for various intermediate profits: as the profit of the retailer on the tax itself; exhaled by every hand through which it passes.)

Hence, we need not view with more jealousy the import of foreign objects of barren consumption than that of raw materials for home manufacture. Whether the product consumed be of domestic or foreign growth, a portion of wealth is destroyed in the act of consumption, and a proportionate inroad made into the wealth of the community. But that inroad is the result of the act of consumption, not of dealing with a foreigner; and the result of stimulus to national production, is the same in either case. For wherewith was the purchase of the foreign produce made? Either with a domestic produce, or with money purchased by a domestic produce. In buying of a foreigner, the nation does no more than send abroad a domestic product, in lieu of consuming it at home, and consumes in its place the foreign product received in exchange. The individual consumer himself probably does not conduct this operation; commerce conducts it for him. No one country *can* buy of another, except with its own domestic products.

In defence of duties, it is often urged, that "when the interest of money is lower abroad than at home, the foreigner has an advantage over the home producer, which must be met with a countervailing duty." But suppose the foreigner has the advantage of better land, or better roads, or more abundant capital: or is in the habit of transporting his goods on rail ways or canals: or that he can build his vessels cheaper and navigate them cheaper: or that he is more laborious and more frugal: are countervailing duties to be laid in consequence of any or all of these accidental and well-earned advantages? At this rate we shall never have done with duties in favour of ignorance, idleness, want of skill, or want of means! What has the consumer, that is, the nation, to do with this? It is to the advantage of every human being in the community except the monopolist himself, that the commodities wanted should be produced under as many advantages of every description as conduce to render them plentiful and cheap.

“But at this rate, all the specie will go out of the country to pay balances for imported goods.” What then? We bought it and can again buy it in the same way. Specie is like water, it tends perpetually and universally to a level. It will be sent to a good market where it is in demand, and where there is any valuable commodity to be had in return. And of what can the returns be made, but the produce of the land, or the commerce of the nation? For there exist no means of purchasing from foreign nations but these: and it is better to buy of them what they can produce cheaper than ourselves, because we may rest assured that they *must* take in payment something that we can produce cheaper than they: else, exchange must cease.

Again, it is affirmed, “that since almost all the nation, are at the same time producers and consumers, they gain by prohibition and monopoly, as much in one capacity as they lose in the other: that the producer who obtains a monopoly-profit upon the object of his own production, is on the other hand a sufferer by a similar profit made by others on the objects of his consumption.” But similar profits cannot be made by partial monopolies. Moreover it is worth remarking that although all are consumers as well, as producers, the enormous profits made on a single article, are much more striking than reiterated minute losses on the innumerable items of consumption. If an import duty on calicoes cause to a person of moderate fortune an additional expense of two or three dollars a year, he does not well comprehend or sensibly feel the nature of the loss, though a similar loss occurs on every thing he consumes: whereas possibly this consumer is also a manufacturer, and he will be alive to the increase of his income by the operation of a tax on the article made by his foreign competitor. It is this delusion that makes private interest so warm an advocate for prohibitory measures even where the whole community loses more by them as customers, than it gains as producers.

But even in this point of view, the exclusive system is pregnant with injustice. It is impossible that every class of production should profit by it, supposing it to be universal, which in practice it never is. Some articles from the nature of things cannot be derived from abroad, such as fresh fish, horned cattle, masons’ or carpenters’ work; the services of clerks, shopkeepers, carriers, &c. Producers of immaterial products, public func-

tionaries, salaried officers, fund-holders are like circumstanced. None of these can have a monopoly in their favour, and they are all liable to the loss, and rise in prices which monopoly occasions.

Moreover, the profits of monopoly are not equally divided even among the different classes who concur in producing the commodity thus favoured at home. If the master-adventurers, whether in agriculture, commerce, or manufactures, have the consumers at their mercy, their labourers and subordinate productive agents are still more exposed to their extortion; particularly in those countries where combinations among workmen are punished as crimes, while combinations among masters can neither be detected, or punished if they were so. So that these latter classes participate in the loss with the consumers at large, but obtain no share of the unnatural gains of their superiors.

Prohibitory and restrictive duties on importation, besides affecting the pockets of the consumers, often subject them to severe privations. I am ashamed to confess, says M. Say, that within these few years, we have had the hat makers of Marseilles petitioning for a prohibition of the import of foreign straw or chip hats, on the plea that they injured the sale of their own felt hats: a measure that would have deprived the country people and labourers in husbandry who are so much exposed to the sun, of a light, cool, and cheap covering, admirably adapted to their wants.

Such are the principal evils of impediments thrown in the way of import; particularly when carried to the extent of prohibition. There have been nations who have thriven under such a system, but then it was, because the causes of national prosperity were more powerful than the causes of national impoverishment. Nor is the nation that produces the prohibited article for its own consumption, exempted from the evil of its own exclusive system. It is prevented from turning its capital and industry to the best account: it encourages custom house frauds: and gives rise to the offence of smuggling. It presses hardest on the fair trader, and offers a premium to those who run the risk of disobeying the laws. These prohibitions make every person who wants the article, and cannot procure it of good quality or a moderate price, an enemy to the government, from a sense of injustice exercised toward him in favour of per-

sons who have obtained exclusive favours upon false pretences. Such laws give rise to the casuistical distinction of *mala prohibita* and *mala in se*. To disobey such laws, is deemed no crime, in conscience; and an army of custom house officers is the sure effect of them. During the late war of the United States with Great Britain, British goods were insured into New York at six per cent.

Dr. Smith defends prohibitory and restrictive duties in two cases: 1. In favour of necessities of war, such as arms of all kinds; and gunpowder. 2. In cases of retaliation to induce a nation which has prohibited our goods, to take off the prohibition.

I believe, the exceptions are ill founded.

First, as to *arms and ammunition*: No nation is ever likely to go to war, who has not from three to six months to provide in. During this period a sufficient stock can be engaged for two or three years at least. Moreover, there is little difficulty in procuring the articles wanted by means of neutrals during the war. Even without any prohibition or restrictive duty, government can take by contract yearly, during peace, a given quantity of home-made arms and ammunition, so as to keep a few establishments alive, to be extended in case of war.

As to *retaliation*: if there be a reasonable prospect of obtaining a repeal of the obnoxious law in a short time, it may afford a plausible reason for imposing countervailing duties. But it is a punishment inflicted full as much on ourselves, as on the nation we mean to coerce. For, by the duty imposed on the article we formerly imported, we purchase at a higher price than formerly: we also tempt our own manufacturers to employ capital imprudently, because it may be our interest very soon to take off the duty imposed at home, when the obnoxious duty is taken off abroad. But these are at the utmost, exceptions to a general rule; if indeed they constitute exceptions, which I greatly doubt. The evils of the system, remain; even if these cases should be deemed exceptions. Evils, which it is a disgrace for any legislator of any country to be insensible of, in the present day. He who is so, is grossly ignorant of truths, which, I am sorry to say it is not yet superfluous to discuss and defend among ourselves.

But the prohibitory and restrictive system goes still further. Not content to satisfy the greediness of the manufacturing in-

terest, by purchasing from our home manufactures at a high price, what we could purchase elsewhere at a low one, we not only beg and pray foreign nations to take our manufactures, but we hire and pay them to do so by means of BOUNTIES and DRAWBACKS. Bounties are premiums paid by government on the exportation of home produce. Drawbacks are deductions from the duties to which they were otherwise liable, and operate as bounties. So that foreign consumers purchase the article cheaper than the home consumer. In this country we pay a bounty of twenty cents per barrel on the exportation of pickled fish: and we allow drawbacks on the exportation of home made distilled spirits; on double refined sugars; on printed silks, &c.

It is sufficient after what has been already said, to observe on this subject, that if by means of these premiums a manufacture is forced into existence that would otherwise have been neglected, the effect has been to force a portion of the national capital into employment unproductively. It shews equal want of judgement in the individual who commenced it, and in the government who supports it: and it is unjust to make the rest of the community contribute to render a business profitable that ought never to have been attempted. Bounties and drawbacks are never relinquished by those who enjoy them; some plausible pretence is always discovered for their continuance; and a tax is imposed on the community not for a national object, but for the advantage of speculators, whose applications for bounties and drawbacks are of themselves decisive proofs of imprudence and want of foresight.

It may be said that a bounty on exported fish, is not merely granted for the purpose of manufacturing monopoly, but to encourage a nursery for seamen. With this view of the subject I have nothing to do. The argument may be of more force than I can see in it; and I do not wish to lose myself in discussions that I have not yet sufficiently studied. That the commerce of Great Britain has been in a pecuniary point of view a losing concern, I have no doubt whatever: this will be evident to any man who compares the interest on the national debt annually paid, with the amount of ten per cent on the gross amount of the exports of that country. The exports constituting the commerce, the ten per cent, the commercial profit, and the charges on the community, arising from the national debt, being as I conceive

the results of the commercial wars of that country: for, all her motives to quarrel, are ultimately and at the bottom, a jealousy of foreign interference with her commerce and manufacture; the increase of these is the true key to all her foreign policy: and wisely; for I am satisfied, that the commerce of that country is necessary to her navy, and her navy is necessary to her independence. It is a means of self defence absolutely indispensable.

I cannot better close this lecture than by the following extract from Dr. Franklin, whose plain good sense led him to see clearly through the follies of the prevailing system. (Vid. Conv. on Pol. Econ. p. 324.)

“ Let us hear what Dr. Franklin says on the subject of restrictions and prohibitions:”

“ ‘Perhaps in general, it would be better if government meddled no further with trade than to protect it, and let it take its course. Most of the statutes or acts, edicts, arrets, and placards, of parliaments, princes, and states, for regulating, directing, or restraining of trade, have we think, been political blunders, or jobs obtained by artful men, for private advantage, under pretence of public good. When Colbert assembled some wise old merchants of France, and desired their advice and opinion how he could preserve commerce; their answer, after consultation, was in three words only, ‘*Laissez nous faire.*’ It is said by a solid writer of the same nation, that he is well advanced in the science of politics who knows the full force of that maxim. *pas trop gouverner*—do not govern too much: which perhaps would be of more use when applied to trade than to any other public concern. It were therefore, to be wished that commerce were as free between all the nations in the world as between the several counties of England. So would all, by mutual communication, obtain more enjoyment. Those counties do not ruin each other by trade, neither would the nations. No nation was ever ruined by trade, even seemingly the most disadvantageous. Whenever desirable superfluities are imported, industry is thereby excited and superfluity produced.’ ”

CHAPTER 21.

OF INCORPORATED COMPANIES, COMMERCIAL PRIVILEGES, AND MONOPOLIES.

All these institutions are founded on the right claimed by government to confer privileges and immunities on one class of citizens not only not enjoyed by the rest, but at the expense of the rest. This is always done on the pretence of promoting the GENERAL WELFARE: a pretence of unlimited operation, and undefinable extent; and which has already rendered the constitution of the United States a dead letter. In the Convention it was proposed to give Congress the power of granting incorporations; first generally; secondly, under a proposed limitation; both motions were negatived. Mr. Madison said, it was proposed to incorporate a bank: this also was refused. But it has been done.

Generally in this country, it has glutted itself by incorporating banking companies, insurance companies, canal companies, and manufacturing companies of various descriptions. All these are encreasing daily.

The object of the companies, apparently, is, first to obtain large profits by exclusive privilege and monopoly. Secondly, to be licensed to run in debt to an indefinite extent, under a limited liability of payment. A mode of swindling, quite common and honourable in these United States. While I am writing, the principle itself, in consequence of the mischievous effects of the practice is under legislative consideration in New York State. But there, the principle is only objected to as applied to banking: my opposition goes further.

I am not now about to enquire, what the Autocrat of Russia, or Ferdinand of Spain, or the omnipotence of the British parliament may lawfully do; or what is the extent of power arrogated by these potentates, and acceded to by the people, under either a forced or a voluntary consent. But I have a right to ask, whether the sovereign people of these United States, or in any particular state of our federation, have conceded to their legislature the power of enacting any thing whatever, without limit or controul, that in their legislative opinion may conduce to the general welfare? I know this right is arrogated by the

present President and his tariff administration; but I cannot find it clearly and expressly given in any constitution which the people have framed for their government.

Legislators are fallible as well as other men; and as liable to the bias of individual self interest, and of esprit de corps, as if they were not legislators. Let us test the principle by an extreme case or two; though not likely to happen, yet within the compass of possibility:

A petition is presented to Congress on part of the cotton spinners and manufacturers of cotton goods in the eastern and middle states, describing the immense capital invested in this manufacture, the great perfection to which it is carried, and the vast importance of it to the nation, and praying that, as the cheapness of the raw material is essential to their success, a duty of six and a half cents be laid on all raw cotton exported from the United States to foreign parts. Suppose at the same time (twenty years hence for instance) a similar petition is presented from the woollen manufacturers praying, that, after the example of Great Britain who have with great wisdom adopted a similar policy, the export of wool and of sheep from the United States be prohibited; and that all dead bodies shall be cloathed in woollen before they are buried, as in Great Britain.

The southern planters and northern farmers in vain remonstrate against this flagrant act of injustice, by which their industry is to be paralyzed, and the manufacturers to be pampered at their expence—the reply is ready: the GENERAL WELFARE demands it. The manufacturers in Congress, argue triumphantly, this is nothing more than a salutary extention of the tariff principle of the year 1824–1825 adopted then and implicitly submitted to since.

Suppose half a dozen years hence, the generous clamours of the philanthropists who exercise their strong feelings of pure benevolence at the expence of their neighbours, should prevail on Congress to pass a law for the emancipation of all slaves in southern states: the southern states remonstrate; and urge, this is contrary to the known principle of compromise on which our federal union was founded. The reply is, the GENERAL WELFARE demands of you this sacrifice: and the general welfare is the polar star of our national government. But, where say the southern states and how have we given up our local sovereignty

and independence? In what part of the constitution do you find an authority for this interference in our domestic policy? We find it, say the law makers of Congress, in the GENERAL WELFARE.

Cases of this kind may be put without end: many of them not merely possible, but probable; nor can those who admit the boundless principle of general welfare as the legitimate motive to legislative enactment, object to any case that may come within that principle. A principle as extensive, as the utmost wishes of the most grasping despotism can desire. Let me be the judge of what is conducive to the general welfare, with power to legislate accordingly, and all right, and all privilege is prostrate at my feet.

The rights of the people, are completely annulled by this assumption; for a legislative declaration of what the general welfare requires, is the law paramount.

If a number of men, acknowledging their mutual equality of rights, should meet together to form a government, they would endeavour to confer on their future legislature such powers as might be necessary for the great objects of their political union, and no more. They would not wantonly, and beyond necessity, subject their actions to controul, or leave to construction, conjecture, or implication, any meaning which they could clearly express, or convert every legislature into a convention. More especially, if foreseeing the possibility of not providing for all the contingencies that time might bring to view, they should determine on some distinct and definite mode of providing in future for supplying omissions, and amending defects, as experience might hereafter dictate. The general welfare being the great object of their deliberations, and they being appointed to devise the most expedient means, and to commit to future legislatures such powers and no more, as would conduce to without counteracting this result, let us then consider, what principles and measures they would be likely to adopt for their common benefit. These principles and measures are the criteria to decide on the reasonable construction of any constitution formed by and for the benefit of such an assemblage of men.

Would they not endeavour to provide

For the means of external defence?

For the means of promoting social order internally?

For the means on raising the funds necessary for these purposes, by taxation as equally imposed as possible?

For an equality of civil and political rights in the administration of their government and social pursuits?

For the equality of protection in the earning and enjoyment of the fruits of their honest industry?

Having met together on the acknowledged principle of equal rights, they would in consequence require equal laws; and would confer no power of instituting exclusive privileges of any kind, by which one set of men might be benefitted at the expence of the rest. Such privileges may conduce to the welfare of particular classes, but not the general welfare. But if in their opinion any particular privileges would be conducive to the general welfare, they would carefully enumerate them, or carefully define and limit the power of conferring them; for they would form exceptions to the general rule. If their constitution contains nothing of this kind clearly expressed, it is proof positive that they did not choose to confer it. To assume such a power by implication, and ingenious construction of ambiguous expressions—or by applying these expressions to circumstances of recent concurrence and that could not have been contemplated by the convention, is neither more or less than a legislative fraud on the rights of the people. The common rule of morality is, “act not, where you doubt your right to act: *quod dubitas, ne feceris.*” This applies with tenfold force where a constitutional remedy is expressly provided for clearing up doubts, amending errors, and supplying defects, as it is in our federal constitution. If a doubt exist as to a delegated power, we ought to take the course for clearing it up whom is prescribed by the convention from which all legislative power is derived; and apply to the people in the way prescribed.

These are canons of constitutional construction, that I may venture to submit as sufficiently plain to require no further argument or illustration; particularly to persons who admit without scruple the necessity of equal laws as the consequences of equal rights. But where is the equality of exclusive privileges, monopolies, and legislative favours? Consider, how open these privileges are to the suspicions of fraud and collusion? How frequently, how recently, how perseveringly, this objection has been urged as matter of fact, against the banking institutions

for instance of New York, in her legislature, and before the public! Nay, is not the present tariff liable to the strong suspicion of having been carried, by and through the votes and influence of the members who were themselves manufacturers?

Moreover, a monopoly privilege, with power of acquiring profit without limitation, and of running in debt without limitation, conferred on persons whose liability to pay their debts does not extend beyond the share they possess in the joint stock of a privileged company, is a fraud on the honest and confiding part of the public. For even supposing the public to have due notice that A B is a stockholder in a joint concern, incorporated to carry on business on a joint-stock capital of so much money, and no share holder to be responsible beyond his subscription, how are the public to know the secret debts incurred, the nature of them, or the amount of them? How then are they to know to what extent to trust this company, who may (as often has been done) divide their principal, as a dividend of annual profits, and then sell out to unsuspecting purchasers not in the secret?

In Great Britain,* persons are permitted, be they more or fewer to form companies and enter into concerns at their pleasure: but all of them are individually responsible in their separate and private fortunes for the debts of the concern of which they are partners and members: their right to profit is unlimited, but so is their responsibility: and the public is deceived by no false appearances.

Is it not an universal and undoubted principle of equity, that every transaction, every apparent possession of unreal property by which a false credit is obtained and the public are deceived, is fraudulent? All privileges of running in debt privately and without limitation or controul, on a limited responsibility of payment, is liable to this objection. What justice is there, in permitting a man to incur debts to the amount of a million, and protect him from paying beyond one hundred thousand?

These arguments *ab inconvenienti*, seem to me strong enough of themselves to decide the question: BUT I REST ON RE-

* Rather in Scotland where the numbers in a partnership are unlimited: in England, to favour the monopoly of the bank, not more than six persons can form a banking concern. Hence the distresses of the English bankers (of whom eighty-one failed in the latter part of 1825, and the early part of 1826) were at the same time utterly unknown and unfelt in Scotland.

REPUBLICAN PRINCIPLES. No legislature of a republic *can* possess the power of granting exclusive privileges of any kind to one class of citizens over the rest, unless, in foreseen and distinctly specified cases. If they do, they act fraudulently, and usurp a power never conferred on them. A power in hostility with the principles of republican government.*

* “A monopoly may be defined to be, “ ‘an allowance to any person or body politic, of the *exclusive* buying, selling, making or using any thing whatsoever;’ ” whenever this allowance interferes with the general freedom of trade or occupation, by restraining the right of selling, or using any thing.

“The power to grant it, has been considered an *odious prerogative*. It is said, upon high authority, that restraints upon the trade of the community, in favour of particular favourites of the crown, are contrary to the fundamental principles of the common law of England; and it cannot be denied, that there are ancient precedents of prosecutions against persons who had set up such claims.

“History, however, informs us, that in the reign of Queen Elizabeth, monopolies of every kind, were exercised to an enormous height: almost all kind of trade was carried on, under a royal grant, of exclusive privilege. But in the forty-fourth year of her reign, the Court of King’s Bench, gave them a death blow. The case was this: The Queen, by her letters patent, granted to one Ralph Bowes, the exclusive privilege of making, and importing, playing-cards. One T. Allein was sued for a breach of this patent right, and he, having admitted the making of part of the cards, pleaded his right to manufacture them, *according to the laws of the kingdom*.

“To this plea the plaintiff demurred; the cause was solemnly argued by the ablest counsel. The court delivered their opinion, that the *exclusive* grant of the Queen was *void*. They observed, that all trades were for the public good, for the exercise of youth in labour, and therefore that they could not be appropriated to *one solely*.

“It was, most probable, owing to this decision, that King James the first, shortly after his accession to the throne, wrote a book, in which he stated, among other things, that monopolies were contrary to law, and he commanded, that no one should thereafter solicit him to grant any such privilege. This book was published in 1610, and thirteen years afterwards, the parliament of England passed their famous Statute of Monopolies, reiterating the same sentiment.

“Then, according to the common law of England, and this declaratory statute, (which having been passed before the settlement of the United States, was binding on our forefathers,) monopolies *derogatory to the common right of trade*, are illegal, and cannot be granted to, or exercised by any one in this country.

“To this it may be proper to add, that even if the right to grant such monopolies had existed in England at the time of our colonization, being one of our royal prerogatives, it would have been abolished by our

Is there any good reason to be given why dealing in money for instance should be a monopoly, more than dealing in candles or sugar candy?

I have no objection in great and expensive undertakings to joint stock companies, who can by joint effort, manage a concern that an individual fortune is not competent to undertake. Let their respective shares, and their recorded articles of association be the contract of the members with each other, by which all their mutual transactions may be regulated; but the common law of partnership, is equity, viz: those who claim a dividend of unlimited profits, are liable to the loss. All this can be managed well enough without the interference of government or the legislature; who are seldom known to meddle but to do mischief. If such interference be needless in a country of such vast concerns, and such abundant experience as England, we may surely venture in this new country to say, when our rulers attempt to regulate the private investment of capital, "let us alone."

The principles of Political Economy then, as applied to this subject are, protect nothing but by laws affording a common protection to every citizen in the same respect: encourage the honest pursuits of every citizen alike, favouring none, restraining none. Leave the employment of individual industry and capital to the individuals who own it: interfere in no private concerns. Keep us from attacks from without, from dissention, fraud, and vice within: let the burthens of the government fall as equally as possible on the citizens who are benefitted by the blessings of government, and in proportion to their ability to bear the burthen of taxation; do not wantonly, or on speculations untried, and on promises for which no guarantee can be given, tax one citizen for the benefit of another, or rob one man of his honest gains to swell the profits of his neighbour. Let liberty be truly the parent of equality, and be cautious of governing over much.

I do not think it sufficiently considered in our country, that the broad and comprehensive subject of the GENERAL WELFARE, is committed exclusively to the *conventions* which met to

revolution; and cannot exist here, as it is inconsistent with our free constitutions, which are founded on the principle, that "the right to acquire, possess and protect property, is *general and indefeasible.*"

"To grant to *one* citizen, therefore, an *exclusive* right to use that which belongs *equally to all*, is unjust and iniquitous."

form our several constitutions. It is the convention that determines in what manner, and by what means, the general welfare shall be consulted. It is the convention which traces out the various political institutions necessary to act in concert for the promotion of this great object; and what powers and authority it is expedient to withhold, or to delegate and entrust for this purpose. It is the convention that prescribes in what manner the legislature, executive, and judicial departments, shall act in promoting the general welfare; and limits their powers and authorities for this purpose, tracing out the precise course they are required to pursue. The federal legislature, and the state legislatures can act upon the general welfare, no otherwise than the convention has permitted them to act, by the terms of the constitution which that convention has drawn up, to mark the bounds and limits of the authority so delegated and entrusted. If the general welfare at any time, should call for an enlargement of the authority thus committed, the people alone have the right of enlarging it. The agent cannot substitute himself upon all or upon any occasion, for his principal, and extend his own authority at his own pleasure. The United States' constitution contains the necessary provisions for any required amendment,

CHAPTER 22.

OF TAXES: DIRECT, AND INDIRECT.

It has been supposed that taxes have no tendency to impoverish a nation, since they are expended at home among the people from whom they are exacted. It is (say the supposers) taking with one hand and returning with another: nay, the greater and more liberal the expenditures of the government, the more is industry of all kinds, fostered and promoted.

This is a most convenient theory for governments of every description, and most sedulously has it been propagated.

On the contrary, I assume this position, viz:

When a man is deprived of a part of his property without an equivalent in return, he is the poorer for it. I do not know how to prove the truth of a proposition as self evident without argument, as any argument can make it. I will therefore take for granted, that it is so.

Suppose a man should drop a dollar out of his hand into the river: or that he should lose it at play: or that his pocket should be picked of a dollar: or that he gave it in charity: or that he paid for a seat at the theatre: or for a bottle of wine which he stood in no need of: or that he was taxed by government to that amount:—in all these cases, the result is exactly the same; his dollar is gone, and he has received no equivalent; nothing remains to shew for it.

Is not this different from his purchasing a pair of stockings, or a dish of meat for his family's dinner, or a book for his son at school, or any other article of absolute necessity, or of real, substantial utility?

Suppose the tax-payer to deal in an article wanted by government, and that the dollar so paid by him in taxes, is laid out by the agents of government at his store—is it not clear that he gains nothing by this but the profit on his dollar's worth of goods? He gives two values each of a dollar in worth, and he receives one. Whereas, in the ordinary transactions of trade, he gives one value and receives one.

Government receives a sum in taxes; purchases gunpowder with it, and fires it away at sea. How am I the richer, for this gunpowder being thus consumed? The powder maker who pays in tax one dollar, and gains in profit one hundred dollars, may be ninety-nine dollars the richer, but the public is poorer by one hundred.—All consumption that produces no manifest, substantial tangible equivalent in its place, is so much lost, whether the consumption be individual or governmental.

I do not mean to say, that such consumption is not sometimes expedient, sometimes absolutely necessary; as when we eat or drink to sustain nature; or wear cloathing suitable to our station; and so on. In like manner, as government is necessary to society, the reasonable expences of government are so too. Still, no man is enriched by consumption; the more we are compelled to consume of the products of our industry, the poorer we are; the less we are compelled to consume, the more remains to us, to exchange for other values which we stand in need of. The products purchased by taxation, are lost to the nation; they are consumed—destroyed: the nation is the poorer by reason of this consumption or destruction, however necessary it may be. Is a man the richer because his situation in life compels him to live

at a great expence? However prudent or even necessary his expences may be, he is the poorer at the end of the year in consequence of that necessity. Suppose a tailor to get into a law suit, and to pay a lawyer fifty dollars for successfully conducting his cause—or to break his leg, and pay a surgeon fifty dollars for setting it; these payments are prudent, and the services rendered fully justify them; but is he the richer for these misfortunes? Even though the lawyer and the surgeon should lay out the fifty dollars with him for a suit of cloaths, it is no compensation, for he furnishes the cloaths after having furnished also the money that pays for them. It is melancholy to think that these positions should require to be gravely argued; but the present state of popular opinion requires it. Let it therefore be remembered, that if government receives in taxes a million for instance, and lays it out at home, government receives two values, and the nation one. This is not the way to enrich the nation; but the contrary. When my neighbour deals with me, or I with him, the operation on both sides is value for value, and each is enriched by it.

The same reasoning applies to national debt. This consists of values, the produce of individual industry converted into money, paid over to government, and consumed, expended, destroyed; leaving no trace or memorial of value in return. This expenditure may or may not have been necessary: still, these values so received are in either case annihilated: they might have been laid out by the individuals who contribute their share of this debt, in augmentation of capital; and have permanently encreased the productive industry and the population of the country; but they are dissolved,

And like the baseless fabric of a vision
Leave not a wreck behind.

Hence I conclude, that all taxation encreases the number of unproductive consumers, and the amount of unproductive consumption; and tends, not to enrich, but to impoverish a nation. Hence as taxes are an evil, the fewer we have of them and the smaller in amount, the better. That government is best, and those political institutions are most eligible, that are efficient at the cheapest rate. There is no more reason why we should pay our public servants extravagantly, or maintain more of them, than our public wants require, than our private servants. An

establishment adequate to our wants and no more—a compensation that will ensure the best talents and reasonably compensate the services rendered, and no more—are the guiding maxims of common sense, both in the one case and the other.

Let us see then, what are the general principles that ought to govern taxation, so that a burthen necessary to be borne, be not unnecessarily encreased. The elementary character of these lectures forbid me entering into details. The methods of establishing in practice, those principles by which the practice ought to be guided, would require much laborious and minute investigation which cannot be pursued here. But we have a right to expect all the necessary knowledge both of principle and detail in the public agents whom we employ to manage the fiscal concerns of the public; and it is high time that we should shake off the childish delusion, that a man however ignorant he may previously be, acquires of course, suddenly and by intuition, all the knowledge necessary to conduct a department of any kind when he is once placed at the head of it. This may do very well in the old European governments of legitimacy, where places and honors are not bestowed as the rewards of appropriate knowledge or technical merit, but it is a disgrace to a republic to follow this absurd practice. It will however be followed among us, until the principles of Political Economy are more generally disseminated and understood; the necessary knowledge will then be exacted and obtained; but not before.

Dr. Adam Smith in his *Wealth of Nations*, book 5, chap. 2, part 2, lays down four general maxims as to taxation, viz:

“1. The citizens of every state (subjects he terms them) ought to contribute to the support of government as nearly as possible in proportion to their respective abilities: that is, in proportion to the revenue they respectively enjoy under the protection of the state.” This proportion I shall contend, ought not to be direct, but progressive in proportion to income. For instance, suppose a tax amounting to one tenth of a man’s income: this would deprive a man of one hundred a year of necessaries, but would hardly be felt by a man of ten thousand a year. It is a great evil to be deprived of any of the necessaries of life: it is a hardship to be deprived of any of the comforts and conveniencies of life: it is much less so to be deprived of mere

superfluities. The burthen therefore actually borne does not depend on the mere pecuniary estimate.

Again. Suppose one man of sixty years has a salary of one thousand dollars a year, and another, one thousand dollars a year rent: to tax each thousand dollars to the same amount would be manifest injustice. The one is earned by the labour of the person who receives the salary: the other is earned by no labour at all: the one is worth twenty years purchase, the other about six. The one requires the receiver to lay up one half for the future support of his family, the other enjoins no such necessity, for his family will enjoy the income by descent.

“2. The tax which each individual is bound to pay, ought to be certain and not arbitrary.”

“3. Every tax ought to be levied at the time and in the manner in which it is likely to be most convenient to the contributor to pay it.” This is very little consulted in the excise laws of Great Britain: a system efficient at the expence of intolerable vexation.

“4. Every tax ought to be so contrived, as to take out and keep out of the pockets of the people, as little as possible over and above what it brings into the public treasury. A tax may take out and keep out of the pockets of the people a great deal more than it brings into the public treasury, in the four following ways:

“The levying of it may require a great number of officers, whose salaries may consume a great part of the produce of the tax; and whose perquisites of office may impose an additional tax on the people.

“It may obstruct the industry of the people, and discourage them from applying to certain branches of business, which might give maintenance and employment to multitudes.

“By the forfeitures and other penalties which those unfortunate individuals incur, who unsuccessfully attempt to evade the tax, it may frequently ruin them; and thereby put an end to the benefit which the public might otherwise have received by the employment of their capitals.

“Lastly, by subjecting the people to the frequent visits, and odious examination of tax gatherers, it may expose them to much unnecessary trouble, vexation and oppression. And although vexation is not strictly speaking expence, it is certainly

equivalent to the expence at which any man would willingly redeem himself from it."

These maxims of Dr. A. Smith, are manifestly dictated by his knowledge of the operation of the excise laws of Great Britain, and the laws of that nation against smuggling.

In this happy country, we hardly yet know how to appreciate their value and their truth: and I hope we never may: especially as a trial by jury is found to be incompatible with an efficient system of excise.

I proceed to add such other observations on the elements of taxation as occur to me.

I foresee that as the science of Political Economy becomes more cultivated and better known throughout the civilized world, a system of free ports untrammelled by custom house imposts, and custom house officers, will abolish the system now prevailing of indirect taxation on articles of consumption; and drive us to a system of undisguised direct taxation: but that day will not arrive for half a century at least, to come.

Dr. Smith's fourth maxim may receive an illustration from the tax on any commodity in or near to the state of raw material, as the British tax on malted barley. This is paid in the first instance by the malter: it is then imposed on the brewer who buys the malt: then on the publican who buys the beer: then on the consumer who drinks it. Each of these lays a small profit on the tax itself, because it forms an addition to his capital employed in trade; and the consumer therefore pays two taxes perhaps, for one received by the public.

So, when the United States laid a tax on the importation of still-bottoms made of copper, it operated as a tax on the manufacture of copper stills and boilers, and that operated on the spirits; and finally as we found to our cost, it operated as a premium on the imported manufactured copper stills. The nearer the tax-payer is brought to the public treasury, the less burthensome the tax.

Most import duties are liable to this objection. The importer pays the tax, on which he charges a profit to the whole sale dealer; who again charges a profit to the retailer, who in his turn charges a profit on this accumulation to the consumer. I well remember a tax on port wine in England, which as paid to the government was equal to about two pence sterling per bottle.

The tavern keepers with one consent raised the price of port from two shillings to two shillings and six pence a bottle, immediately.

Taxes ought to be laid so as to tempt the payment of them by retrenching expenditure. All taxes that encroach upon capital, are so many blows aimed at the source of all public prosperity. Hence I should object upon principle, to all taxes on the transfer of property, or on bequests of property.* Hence all taxes on the "plant" or buildings and machinery of a merchant or manufacturer, detract not from income, but from capital. It is fair to burthen the expenditure of income, but it is unwise to burthen the sources of income.

Equality in taxation, so that one class of citizens should not be taxed beyond another, respect being had to their ability to support the tax, is a difficult question. I greatly doubt whether the shop-tax of England can be defended on principle. It is a tax not easy to apportion among the customers, and must be borne by the shop-keeper. It falls therefore partially, on a particular class. But may we not discriminate between professions, that subserve to luxury, and those that administer to necessity? A perfumer and a baker for instance? Where the tax ultimately falls on rich consumers, I think it may be done: When it falls upon the licenced retailer himself, it appears to be unjust: for although his customers purchase luxuries, he only sells them; he does not rank with his customers; he himself is among those who are removed but a few degrees from the poor.

The income tax of Great Britain, though productive, was very objectionable. It sometimes afforded temptation to indi-

* In Holland, there is no tax on direct succession, as of father and son; but there is on bequests and successions of collateral kindred, and stranger legatees. In England, beside the famous stamp-act, there is a direct tax on legacies. The revenues of federal chiefs, depended greatly on fines for alienation. This strengthened the practice of donations mortis causa.

All bequests of property, are bequests of capital heretofore saved and accumulated by the deceased; the tax therefore detracts not from expenditure, but from that fund which has hitherto been employed as capital. We must not forget, that the *only* source of permanent wealth, strength and happiness in political communities is capital. *Taxes that compel a diminution of expenditure, do indeed diminish enjoyment, but taxes that diminish capital, diminish the source and strike at the root of all revenue.*

viduals to over estimate their income to maintain their credit, and sometimes to under rate it, for the purpose of avoiding the payment of the tax; and it frequently compelled disclosures more vexatious than the tax itself. Nor did it afford that scale of progression which equity and expedience plainly required: the rich were too much favoured. Moreover, all taxes that require multiplied oaths, and set a man's interest in opposition to his duty, are bad in principle; they tend to destroy the moral habits of society.

If indeed means could be devised to get at every man's real income, it would afford the means of reducing all taxes to one; and resorting to a criterion at once equitable and efficient. The English income tax, was brought near to the real amount of income, and in a few years, the means of evasion would have been very difficult; but the feelings of the public revolted at the system, and the ministry were compelled to repeal it.

Every tax should provide its own means of enforcing payment; such are all taxes on consumption, where the articles of luxury may be taxed as high as the consumption of them will allow; for it depends on the consumer to pay the tax or not.

The notion of the old French Economists, that all taxes should be laid upon land, as the only productive source of wealth is now justly renounced, because the basis of the theory fails. Land is not the only productive source of wealth. This question I have already discussed.

A land-tax; on whom does it fall?

In Great Britain, a country of landlords and tenants, experience has shewn that the land-tax falls exclusively on the landlord. In this country, the direct tax under the administration of Mr. J. Adams, fell exclusively on the land proprietor; for the quantity of land in the market will for a century to come prevent its being laid on the price of the land. These taxes fall indeed on the rich; and when moderate, will be confined to expenditure, or stimulate to improve the land. The host of assessors, collectors and receivers, with the political influence attached to them, and the room for favouritism in transacting their business, together with the then paucity of circulating medium, made this tax very odious to the people. When land is mortgaged, the tax on property really belonging to joint owners, falls exclusively on the most needy.

Tythe is a tax on the produce of land in favour of the clergy.

Tythe is a tax on the gross produce of land. The clergy of England and the Quarterly Reviewers, No. 58, would willingly consider it as a rent on land. But it is not so. Rent, is the consideration paid by a farmer for the privilege of employing his labour, skill, and capital so as to bring him the usual profit of other trades and employments. Hence, rent is the surplus after this is effected. Rent is the difference between land that will yield this surplus, and land that will not yield it: for some land is so poor that it will do no more than yield wages and ordinary profit on capital. Such land can afford no rent; but the clergy take care that the gross produce even of such land shall pay tythe.

Tythe is a dreadful obstacle to all agricultural improvement. For who would encrease his produce that it may be taxed one tenth to support an idle and rapacious clergy? Hence the frequent conversion of arable into pasture land in that country. Formerly in England, the support of the poor was a lien on the tythe: but the clergy have contrived silently and gradually to get rid of that burthen, and thrown it on the people. But their day is approaching. Sir James M'Intosh's argument on church property, on his *Vindiciæ Gallicæ* is not to be refuted.

Luckily we have gotten rid of this dreadful evil in this country: but many of the clergy have long been and still are bending their unceasing efforts to procure its establishment: efforts, that considering the persevering character of that order of men, and the determined esprit de corps that actuates them, may at some future time be successful, however dim the present prospect in their favour. Encreased knowledge, generally diffused among all classes of society, is the only safe barrier that can be opposed to the encroachments of such restless spirits among them as meditate this innovation.

Taxes on interest in the funds or on mortgage, fall only on the proprietor of the money: they are therefore partial, and consequently unjust. It is not that the rich are taxed, but one description of the rich. It amounts to a partial tax on income, laid upon particular proprietors of income without any sufficient reason for singling them out.

In fact, it operates as a tax on capital, preventing the public diffusion of wealth, and its productive appropriation. It operates as a reduction of the interest of money, driving capital out of the country, and preventing capital from coming into it. These objections would not operate on the principle of a general income tax laid on income without reference to the sources whence it might be drawn; but any tax of partial character is manifestly unfair. It must never be forgotten that all public property, all permanent encrease of wealth, of improvement, of population, depends on the productive character of capital. Hence the utility especially in such a country as ours has been and still is, of throwing no obstacles in the way of foreign capital introduced among us; for it cannot produce income to the owners without great concomitant benefit to ourselves.

It has been much argued whether we have a right to tax income derived from the public funds. A tax that affects income so derived, on any general principle affecting in like proportion the income of all other classes of the community, can hardly be objectionable. But a tax singling out the fund holder as an object of prey, is not only partial and therefore indefensible, but it is adverse also to the general understanding of the nature of the implied contract on which the fund holder advanced his money: and it is clear, that such a tax would greatly affect in future the facility of making loans, and the terms on which they could be made. As in cases of usury, the lender would always take good care to protect himself from the risk imposed by law.

Whatever tax be laid, it ought to be well considered whether it can or cannot be easily evaded. Auction taxes, are favourites in this country. They are unjust because they are partial: they are inexpedient, because they invariably fall on the seller, who is generally driven to an auction sale, by his necessities; never on the buyer, who is only guided by his own wants and his own means: and they can be evaded by affixing a price to the goods that can be lowered or raised by a private whisper. But a tax on auction-sales, is a tax never paid by the rich and always by the poor and needy, unless in the wholesale sales, which are extremely advantageous to the public. It is

therefore in hostility with the great and leading principle of all just taxation.

Taxes on the necessities of life are usually productive, but they invariably fall on the poor most heavily. It is in vain to urge that the wages of labour cannot be reduced beyond a certain point, but must afford reasonable subsistence to the labourer; the fact is not so; how many of the poor have actually starved in England? How many who would willingly labour have been driven to the alms house? Hence the malt tax, the taxes on salt, sugar, candles, soap, leather, low priced woollens and cottons, and such articles as the poor are compelled to buy, are not justifiable in England, nor prudent any where.

Taxes that must of necessity fall on the rich, and in proportion to their wealth, are perfectly justifiable and prudent. Such are taxes upon house rent, upon windows, upon hearths, as exponents of the wealth and station of the occupier: making due exceptions for houses occupied by shop keepers and retail dealers. Taxes on domestic servants, on carriages for pleasure, on wines and liquors, on all articles of superfine description, on plate, watches, jewelry, places of amusement, silks, laces, &c. The actual impost of such taxes will require reflection to ascertain the modifications which prudence and justice may require. Thus, houses of inferior description may be of high rent, from the advantage they possess in respect to trade. Such a high-rented house, is not occupied for luxury, but as the means of a livelihood. These details and modifications enter into the fiscal knowledge of the public financier.

Taxes on consumption of articles consumed by the rich, have another valuable feature, their amount and their fluctuations, are exponents of the general increase or decrease of wealth and prosperity in the community. This will be known to a certain degree by the increasing or decreasing amount of taxes on silver and plated ware, wines and brandies, pleasure carriages, stage coaches, canal passage boats, hearth tax, watches and jewelry, silks, velvets, laces, superfine cloths, carpets, looking glasses, drinking glasses, prints and pictures, saddle horses kept for pleasure, &c. &c. Conclusions of great moment are afforded by comparisons of these amounts at different periods.

The English taxes are made up of the land tax, malt taxes, customs, excise, stamp duties, including paper, gold and silver.

and assessed taxes of various denominations, not of large comparative amount.

All taxes on lawsuits, fall with particular inconvenience; they fall also on both parties. They are never contemplated as to be paid out of expenditure. Unless collected in the form of stamp duties, they are never well collected. They are prohibitory fines and punishments on the exercise of a right which society was expressly instituted to sanction and protect. In all cases they add to the misfortunes of the unfortunate. They operate in the progress of the suit, dreadfully to the disadvantage of the poor, and in aid of the rich antagonist. Jeremy Bentham's views of this subject, are now generally adopted in England.

No taxes ought to be laid on raw material. For the sake of the manufacturer if it be imported; for the sake of our own agriculture if it be raised at home. Moreover, if imported, the tax will probably be trebled on the consumer of the manufacture, as it forms part of the cost of the raw material—part of the capital necessary to be employed by the importer; who charges the manufacturer, who charges the wholesale dealer, who charges the retail dealer, who charges the consumer.

It is granted that all taxes ought to fall on the consumer: but it *may* be sometimes convenient to tax the article in the hands of the manufacturer in its finished state; or in the hands of the importer if it be a foreign article. It may be now and then, that the state of the market as to competition, demand and supply, will not admit the tax to be laid on the price of the goods. This is a temporary and occasional objection; but I know not yet of any mode of taxation quite free from objection. The fiscal officer must collect information and do his duty in the best way that circumstances will admit.

In Great Britain, under that government of patronage, it does not seem an objection to a tax, that it requires a croud of fiscal dependants to collect it: with us, it ought to be an insuperable objection. Our executive in the United States, and the executive under each government of our several states, has quite as much patronage as is necessary, nor ought we to be careless about encreasing it, by adventitious occasions.

No tax should be so high, as to afford temptations to evasion, or to smuggling. The means taken to repress this evil

are always troublesome and expensive. No tax is ever laid at a rate so high as to tempt evasion, without injuring the morals of the community. The distinction between *mala prohibita* and *mala in se*, savours too much of scholastic casuistry.

In political arithmetic, two and two do not make four. An article may be taxed so high, as materially to diminish its consumption. In this case the produce of the tax, is not encreased but diminished. It is the duty of the head of the fiscal department, to collect information, and ascertain all the details that will settle the prudent maximum of taxation on any given article.

All direct taxes, where the amount is known, and the burthen on the tax payer precisely ascertained, are collected in every respect more advantageously than indirect taxes: they are more honest, because more manifest, and generally more productive, with less burthen. But in the present state of knowledge, I fear the public will not bear them: and statesmen are very willingly compelled to resort to the very convenient, and in many respects very eligible system of *indirect taxation*—taxes on consumption; which are paid in small portions unwittingly, and mixed up with the price of the article.

All statesmen argue on this occasion in conformity to the maxim, *si populus vult decipi, decipiatur*. A greater burthen of taxation can be laid without its occasioning any complaint, by involved and indirect taxation than by direct. When to this it is added, that the payment of taxes on consumption, and of all indirect taxes, is for the most part voluntary, and proportioned to income, there can be no wonder at the general prevalence of this more expensive, but less alarming system. I say voluntarily, because the tax is involved in the price of the article, which the consumer may purchase or not as he thinks fit: it falls therefore on ability to pay it. The English first found out its convenience and its value.

Taxes are frequently imposed with the double view of replenishing the treasury, and at the same time throwing obstacles in the way of deleterious luxuries, or encouraging an article of home produce by burthening the foreign importation. A case of the first kind, is an excise on home made spirits, and heavy taxation of foreign spirits, to repress their consumption among the lower classes of the community.

Cases of the second kind occur perpetually by taxes with a double aspect, in favour of home manufactures.

I object to the principle and the practice. In a republican government, we should avoid as much as possible all double dealing. A republican legislature has a right to say to the people, we will tax this article because the public health and the public morals, require that obstacles should be thrown in the way of this kind of consumption. That is reason enough to assign for the tax, where the people as in this country are fairly represented. It is high time that fair and honest principles, should confront and brave their prejudices.

As to the motive of encouraging home made produce, it is liable to all the objections already made against restrictive and prohibitory duties. It is tampering with a subject that the head of the treasury either with or without the sanction of the legislature, has nothing to do. Every tax upon import would have this double aspect, if you would permit the interested representations of manufacturing monopolists to guide your fiscal operations.

Taxes by way of *lottery*, have received the decided reprobation of every good writer in Europe. What right has a government to use a gallows, that encourages lotteries? It is really deplorable that at this day, writers on Political Economy have to preach against a system of gambling, the parent of imprudent adventure, of fraud, of theft, of disappointment, of despair: a system encouraged by law! encouraged by the clergy! encouraged by fiscal officers of government: and yet with strange inconsistency the clergy preach against, and laws are enacted to punish vice! No wonder in such a country, tippling houses are countenanced to lead the poor to brutal indulgence and inevitable misery. See *Ganilh sur les revenus publiques*. Tom. 2, page 297.

Connected with a system of taxation, is a system of accountability by which those who receive and those who pay into the treasury, the monies collected from the people, may be compelled to do so with perfect honesty and accuracy. I presume that our comptroller's and sub-comptrollers' offices are sufficiently well conducted for this purpose: and that the money brought in, is duly expended according to the appropriations made by previous law. I say I presume so: but I know nothing about it. *The people*

ought to have the means of knowing this, in some manner or other.

There should be a full annual fiscal account published: shewing the amount of taxes received in each state; and each district of each state; and at each port of entry and deposit; by whom received, and by whom paid in. The number of fiscal agents of collection; their names and abodes: the expence of collection: the gross amount received at the treasury: the list of delinquents: the legal appropriations, and the amount of payments under them: and the sum of surplus in the treasury, or of deficit. Such a statement should be annually on sale; that the people may have the cheap means of knowing the state of the public purse in all its details. Nor ought they to be satisfied without this.

Such are the suggestions that occur to me on the elementary principles of taxation. I have touched on a few taxes to shew their application, but without pretending to that detailed developement which would be necessary to settle the practice in any particular instance. I trust however, that the considerations I have submitted will suffice to lead you into the proper train of thinking on the subject, when any particular case should call for your attention.

CHAPTER 23.

NATIONAL DEBT, AND SINKING FUND.

The national debt of England, says Guthrie in his geography, may be considered as practically originating in the time of King William; and was incurred for supporting the protestant interest and maintaining the balance of power in Europe; defending the Dutch barrier, keeping within bounds the house of Austria, humbling the pride of France, and preserving the succession to the throne of Spain! Reasons for incurring it, no doubt quite conclusive! From thence to the American war, the contests of England arose from commercial cupidity. The American war, was a war against the right claimed by subjects of revolting from tyranny, injustice, and oppression: and the war against France was professedly a war against what Mr. Pitt and his ministry were pleased to term Jacobinical principles: that is, against the American doctrine of the sovereignty of the people, and in support

of the holy pretensions of legitimacy in monarchical succession. One more deluge of blood submerging all Europe, will probably be the fatal blow to national debts, which will proceed accumulating in their progress, till the great struggle shall be over between the claims of Prerogative, and the Rights of Man.

On the present construction of national debts, the governments who borrow, do not bind themselves to pay off the principal, but only to pay an annual annuity transferable by the stockholder. Government sells this annuity in the first instance, and the purchasers are called stockholders. The national debt, is called "the funds" because it denotes an aggregate principal sum. When any sum or sums owing by government are thus converted into an aggregate stock, they are said to be *funded*: and the annuity payable on that principal sum so funded, is provided for, by specific taxes calculated to bring in an amount of money equal to the interest or annuity thus due.

Two or three questions arise which I shall briefly discuss:

1. What right had our ancestors to burthen their posterity?
2. Can the public creditors demand payment at par, that is, at one hundred dollars real money, for one hundred dollars nominally of stock?
3. Is the national debt, a blessing or a curse to a nation?
4. Is the scheme of a sinking fund to pay off the national debt, prudent and efficient?

As to the first question.

While a man is alive, and a member of a political community, it is necessary that he should be entitled to possess property; society requires that its members should possess this privilege. When a man dies, and all his connection with his fellow men is annihilated, he can lay claim to no property or possession; he has no rights: such as he had while living, have passed away to others who live after him.

While living, he had the use (not the property, which no man can have) of the land, of the air, of the water: he had a full right to alienate all his own earnings and accumulations, the fruits of the industry of himself or his ancestors. He may well be permitted to devise and bequeath this, for it is his own. But can he have any right to alienate, to burthen, to controul, to mortgage the industry and earnings of posterity to indefinite generations? Who gave him that right? My father may dispose

in his own way, of the fruits of his own industry, but how does he acquire a right to dispose of mine? Have I not a family also to provide for? Are they to be impoverished because in his mad and wild schemes, he expends not only his own earnings, but takes the same liberty with mine? In strict and abstract justice, it may well be doubted whether a national debt can be accumulated or enforced, beyond the generation which has thought fit to incur it.

But in point of fact, a nation is sometimes compelled to incur a debt, to maintain its own existence: and such a debt is always intentionally, though often mistakenly, and sometimes really incurred for the benefit of posterity, whose condition is ameliorated in consequence. Hence I think the argument rather preponderates in favour of the obligation on the children to fulfil in this respect, the contracts of their parents.

Moreover, unless this obligation were taken for granted as it hath been, no creditor would lend money upon a national emergency, and the very existence of the community might be endangered, for want of this point being well understood and acknowledged

After all, I cannot reconcile myself to the justice of extending this lien to indefinite generations. My great, great, grand son is hardly related to me; what right can I have to dispose of the earnings of his exclusive industry? There ought to be a limit.

The price of stocks fluctuate according to the prosperous or depressed state of public affairs. The three per cent consolidated stock of the English funds, which regulate the market price of stocks, were bought on the 20th of Sept. 1797, for 47 5-8 and in 1752, December the 10th, they sold for 106 3-8. Suppose a purchaser at 47 5-8: has he a right, whatever may be the national circumstances, to insist on being paid 100, or at par? This is the second question. He bought in a lottery: can he insist on a prize?

If adverse national affairs, and public misfortunes should depress the funds to nine instead of ninety per cent, I apprehend the public creditor must bear with his portion of the public loss, and be content to receive what the nation is really able to pay according to the honest estimated value of the day.

The purchaser bought, with his eyes open, a fluctuating article; and gave a price proportioned to his risk: when unavoidable misfortunes, occurring bona fide, in the usual course of public transactions, encrease that risk and lessen the value of the debt, he has no right to complain: or to demand that an impoverished debtor shall convert a chance into a certainty for the benefit of a creditor who bought a chance only, at a speculating price. We cannot on such an occasion rigidly insist on the Shylock doctrine of the old Roman law of insolvency, *De debitoribus in partes secandis*.

Is the national debt a blessing or a curse to a nation? Sir Robert Peel (father of Mr. Peel now in the British administration) published a pamphlet entitled "The National Debt, a National Blessing." This was about the year 1790 or 1791. At the close of the reign of King William the third, the national debt was seventeen million sterling; at the peace of Ryswick it was twenty-one and a half million; at the close of the administration of Mr. Pitt, it was about eight hundred million sterling. Thanks to the management of that heaven-born minister! Mr. Peel's pamphlet was such as a rich callicoe-printer, banker and right loyal subject might be supposed to have written. In what possible way can the nation have been benefitted by having eight hundred millions of money taken out of the pockets of the people, and consumed in muskets, gunpowder, red coats, and vessels of war? Suppose a robber had seized on the amount of tax paid by Mr. A, or Mr. B, or Mr. C; and had spent it in drinking and gambling, would not the result have been exactly the same to the tax payer?

Oh! but the money has been spent at home! True; and the tax payer first furnishes the money, and then the goods which he money is employed to purchase. How does he gain by this? Two values are taken out of his pocket, and one is put in. His capital is cramped, and his profitable operations circumscribed.

But the national debt supplies facilities for the investment of surplus capital; and gives prodigious stimulus to industry. It does so: but at what expence? Is this stimulus any other than would have taken place by the expenditure of the same money under the guidance of the provident individual out of whose earnings it was taken? The facilities of depositing for a time,

surplus money, is of little moment: for if the national debt did not exist, they would be soon found.

The debt of this country not exceeding about twenty million sterling, is of little moment in the present state of our national prosperity.

Sinking fund Caisse d'amortissement. A name given to an accumulation of money formed by taxes to a specific amount, as a million a year for instance, and exclusively applied to purchasing up government stock when at low prices, and thus withdrawing part of the national debt out of the market. It proceeds upon the principle, that if we can borrow at simple interest and buy at short periods so as to obtain an approximation to compound interest, we gain the difference. This notion of a sinking fund, first proposed by Earl Stanhope and shortly after adopted by Sir Robert Walpole in 1716, has been set on foot again by Mr. Pitt, at the instigation of Dr. R. Price and his nephew, Mr. Morgan. It was pursued by Lord H. Petty and Vansittart, and is still in operation in that country, and from thence adopted here. Dr. R. Hamilton of Aberdeen, in 1824 published an Inquiry into the National Debt, in which he shews clearly that taxation and expenditure being the same, no advantage whatever is derived from forming a part of the taxation into a sinking fund: but that the common application of the sums acquired by encreased taxation, or savings in expenditure, to the payment of the national debt in portions as this surplus arises, answers the purpose of reducing the debt at least as fast as the best application of a sinking fund. Since the publication of his book, and the exposition of his calculations, the question has been at rest; and the great value ascribed to a sinking fund, has no longer been credited by those who have examined the question. I must refer to his calculations for proof of this, especially as the second edition of his book has been republished in this country.

In fact, it is contrary to all experience to suppose that a set of gentlemen appointed by government to manage a sum of money taken out of the pockets of the people, with a view to pecuniary gain expected from such management, can do this half as well as the individuals to whom it belonged and out of whose pocket it was taken. The minuteness and sharp sightedness of individual knowledge and industry, can never be equalled by

those, who are not actuated by the same strong motives to acquire and employ these qualities.

The sinking fund in England seems to be honestly managed: about three hundred million of the debt has been bought up by the commissioners of the sinking fund. But after all, it amounts to borrowing money from A. to discharge a debt due to B. This does not lessen the aggregate debt. The only efficient way of paying a debt, is by earning more, or saving more. In Great Britain, the sinking fund tends to keep up the credit of the stocks when about to be depressed, by suddenly throwing a large sum into the money market. It *operates* as the fly wheel to the machine.

CHAPTER 24.

ON POPULATION AND THE LAWS THAT REGULATE IT.

This subject has of late years occupied the attention of many able men; in particular of Dr. Malthus, Godwin, Weyland, Jarold, Graham, Ensor, Grey, and Everett. The main questions discussed, are:

1. Does the encrease of population depend on the increase of subsistence?
2. Does an encrease of population produce a corresponding increase of subsistence.

Dr. Malthus (after preceding authors already mentioned p 11) contends that population encreases every where in greater proportion than subsistence. For instance, in the United States, population doubles itself every-twenty five years. This being an undeniable matter of fact, may be assumed as such to form the basis of any reasoning. If population therefore were not checked, it would go on doubling itself every twenty five years: our ten million at the time of the last census would be twenty million in twenty five years, forty million in fifty years, eighty million in seventy five years, and one hundred and sixty in a century.

Now, if the quantity of land were definite, no known fact in the history of cultivation can authorize us to suppose that the produce of the earth can be doubled every twenty-five years. Improvements may take place; but we have no data to suppose

that any given portion of land can be made to produce double the amount every twenty-five years progressively. To all agricultural improvement, there must be a term where it ends—a maximum.

Hence the undisputed facts of experience shew, that the tendency of population, is to encrease in a ratio far beyond the ratio of the production of food. What may be affirmed of any given quantity of land in this respect, may be affirmed of any other, and therefore of all: therefore the proposition is general, that population tends to accumulate much faster than the means of subsistence, upon a limited territory.

This tendency to encrease, is a law of nature: it may be checked, controuled, counteracted: by natural causes, by artificial means; but it cannot be stopt.

This tendency to excess of population over the means of subsistence, seems necessary to the gradual peopling of the whole earth; so that when want of subsistence urges in one place, it may compel emigration to another portion of the earth, where land is yet plentiful, and inhabitants scarce.

It is probable therefore that this tendency will at least continue till this great purpose be answered. As yet, hardly one half of the cultivable regions of the earth, are settled. Nor are those now under cultivation made to yield more than half the produce they are capable of yielding. Nor is the economy of food perfectly understood as yet. Man is but a recent inhabitant of the earth; and we live in the infancy of improvement.*

Where emigration is difficult from the artificial habits and laws of society, *excess* of population over subsistence, is every where kept in check, and counteracted by some or all of the following circumstances.

* Suppose land to produce twenty-five bushels of wheat per acre, sixty pounds weight per bushel. Of this sixty pound, no more than forty-eight pounds is nutritious flour. So that an acre of good land produces of human nutriment in this form one thousand two hundred pound weight. Land that will produce twenty-five bushels of wheat, will, at the lowest calculation, produce two hundred and fifty bushels of potatoes, upheaped, seventy pounds to the bushel; of which at least one sixth part is human nutriment equal to flour. That is, two thousand nine hundred and sixteen pounds weight. Hence the prodigious population of Ireland, where two thirds of the people live on milk and potatoes almost exclusively.

By improvements in cultivation: The limit to improvement, must determine the limit to subsistence. Thus in England, land which in 1780 yielded from fifteen to eighteen bushels of wheat per acre, now yields twenty-five or thirty. The average of Mr. Coke's Norfolk farms, is from thirty to thirty-five. I believe it is so in many parts of the Isle of Wight. This is the combined effect of skill and capital.

By manufactures: which furnish products that can be exchanged for food :and which in England, absorb and give employment to more people than agriculture.

By commerce: which brings provisions from distant countries in exchange for manufactures.

Population is depressed, by the *scantiness of food*. This operates as a check to marriage; and brings on disease and death among the children that are actually born. This is the most general and efficient check to population; and is sure to operate where the wages of labour furnish scanty supplies of food to the family.

By the operations of *bad governments* in various ways: a most fruitful source of national misery and immorality.

By *war* which consumes the population.

By the *celibacy* of soldiers and sailors.

By *celibacy* among the high and middle classes from prudential motives.

By the frequent recurrence of contagious, infectious, and miasmatic diseases from natural causes.

By the diseases induced by trades and manufactures.

By the vices, irregularities, and diseases always springing up in crowded societies, and attributable to them.*

From these causes, although population in every state of society presses upon production, it has never yet reached an amount beyond which it could not be maintained by exertion, or controuled by judicious conduct: unless in cases of famine. Hence it has every where and at all times been the great stimu-

* The class of nobility do not usually keep up the number of children necessary to maintain family succession. The luxurious, effeminate lives of the females, incapacitate them from breeding healthy progeny. During the reign of George III. forty-eight titles became extinct.

lus to incessant exertion and therefore ranking among the main causes of gradual civilization.

The common opinion entertained by Dr. Malthus and his followers, is, that as population depends on subsistence, plenty must precede population. This would be wise perhaps, if it could always be managed, but it is not the order of proceeding ordained by nature. Obeying the urgency of the calls of nature common to the whole animal creation, men marry and beget children, and then strive to provide for them. Population therefore is the great stimulus to exertion, and the great check to parental extravagance and expensive indulgence. Marriage and its concomitant offspring, produce kind and social feelings; feelings of duty founded on natural associations, prompting to industry, regularity, and self denial. Although the exceptions are many, owing to the vices of men in society, every observant man knows not only that this is, but that it must of course be the general result.

Moreover, early marriages are productive of a better state of society than late ones. This is manifest in our own country: and it must of course happen, that the earlier, vicious and selfish propensities and indulgencies are repressed and counteracted, the more virtuous will society be. Not merely more chaste, but more regular, more self denying, and social in its general tone and feeling. The earlier we are accustomed to give up our own wants and wishes for the sake of those we love, the sooner and more habitual will every social feeling be formed and become.

The governing principle of voluntary celibacy, however prudent or even commendable it may be and sometimes is, rests upon an exclusive carefulness of a man's self, and a carelessness of the common good. Hence, although early marriages may produce poverty, and incessant exertion, it seems to me a less evil to society, that superfluous population should be gradually thinned by the infantile diseases attendant on scanty subsistence, than that the first and most imperious precept of nature should be disobeyed, or subjected to every species of vicious substitute. No man is ignorant of the evils mostly attendant upon marriage every where; they are too numerous and too prominent to be denied or concealed; but no man is so blind as not to perceive the manifest balance of advantages, which society derives from this institution. In fact, all civilization rests on two bases, and

never can take place without them, marriage and exclusive property in land. Even with respect to individuals, if they are determined to be happy, they must strive to be so in the way nature dictates; or they will seldom succeed.

Under these circumstances, in which the temptations to excess in population, are imperious and incessant, notwithstanding the inevitable evils to which it is too often calculated to give rise—evils greatly owing to bad government, and over strained taxation on the necessities of life, what principle in society is it, that maintains the gradually encreasing numbers of inhabitants in a comfortable and desirable situation? Thus adding to the mass of positive happiness, keeping vice and want at a distance, and preserving the health, strength, and prosperity of the community in a gradually improving state? In England, in Holland, in the United States for instance?

Plenty of subsistence to maintain the animal frame in health and vigour, is the first and indeed the one thing needful. If there be more human beings than there is food to support them, some of them must starve; a limited supply of food, will only admit of a limited population. When population fast encreases, and presses closely on the supply which is to maintain it, the portion of food obtained by many, will be scanty: their labour will be greater than their sustenance can support, and diseases and death will thin the multitudes to the standard of healthy supply. This is a process continually, though silently taking place in England, and Ireland.

Further, dread of poverty and its attendant evils, produces a disposition to frugality, saving, and accumulation. Hence arises capital. Then demand for labour. Then wages and food.

Mr. Everett in his late treatise, entitled "New Ideas on Population," is of opinion that every consumer added to society, is in his turn an additional producer; and as healthy exertion is always more productive than is needful to supply the wants of the labourer himself, every person so added, is a gain, and not a loss to society, in respect to the necessary supply of food. Hence it is that provisions are more abundant and cheaper in populous countries, than in those where inhabitants are scanty, compared to the territory.

But there is one consideration laying at the root of the whole business, which he does not seem to have thought of. Who

is to employ these labourers? In the first instance, and when they are not wanted?

Suppose a farmer having grazing land barely sufficient for the fattening ten oxen, should purchase fifteen. Is it not clear that if he continues to maintain the fifteen on the land barely sufficient for ten, although they may exist, none of them will fatten?

Suppose this farmer has grazing land sufficient to fatten twenty oxen, but has not capital enough to furnish himself with more than ten, is it not evident that his power of giving food to ten more, is circumscribed by his want of power to buy them?

Suppose a community with all its employments filled, the whole of its capital embarked and engaged, and the whole of its working population hired, and every mode of employing labour already occupied, who is to give labour, and wages, and subsistence, to a constantly encreasing croud of labourers beyond the demand? Those already in employ, and who have already filled to the utmost every vacant situation, will not give up their means of subsistence to new comers. What is the result? Competition ensues: the new comers offer to work for less compensation: the rate of wages is lowered: the power of purchasing food is diminished: subsistence is more scanty: and a half starved labouring population, produce a sickly debilitated offspring, a prey to diseases of all kinds. At length death, by thinning the ranks of the working class, brings the supply to a level with the demand, and cures the evil. This is the inevitable progress. (See Statistical Illustrations of the British Empire, 1825. Preface, page 14.)

It is in vain to talk then of labourers furnishing their own subsistence. Before they can be employed at all, there must be surplus capital and a demand for their labour. Who will employ them who does not want them? Suppose a farmer having ploughs and cattle, horses or oxen, fully adequate to all the tillage he needs, should have an addition offered him at a low rate, of half a dozen ploughs, with men and horses to work them—of what use will they be to him, if he has no land for them to work on?

If it require forty dollars to maintain one labourer one year, and two labourers are competitors for employment, one of them

must starve entirely, or both be half starved, if there be no more capital vacant than the forty dollars.

The want, the demand must exist for labour before labourers can be employed. Till then, they are not merely an useles, but a burthensome addition to the population.

What then is it that gives rise to the want of, the demand for labour? CAPITAL seeking for employment. Examine into the agricultural, the manufacturing, the commercial departments of society. Does a man want to cultivate fresh ground? The land, the ploughs, the horses and cattle, the fences, the seed, the taxes, the subsistence of the labourer till the crop comes round, are all so many items of capital indispensible in the very outset. The labourer must be cloathed and housed, and fed for nine months at least.

Does a manufacturer wish to extend his machinery, or the quantity of manufactured goods—the work shops, the tools, the raw materials, the wages, are all necessary portions of capital, without which not a human creature can be employed for a day.

So of the merchant; can he find work for a single man till he has accumulated the fund to pay him, until the return of capital comes round?

Reflect: examine: without a previous command of capital more or less, how is it possible for a demand for labour to exist? and without the labour is in demand—unless it be wanted, who will pay for it? Accumulated capital therefore, gradually encreasing, is the ONLY source of demand for labour—the only means of furnishing subsistence and of supporting and maintaining permanently a moderately encreasing population: that infalible mark of national prosperity.

A *sudden* demand for labour is almost always an evil: the causes are temporary, the demand is temporary, the supply therefore must be temporary, usually beyond the demand, and finally cut off by disease and want. By the sweat of your brow you shall earn your bread, is the lot of the great mass of human kind: nor is any human creature whatever situation he may be in, the happier for an exemption from the necessity of bodily or mental exertion during a great portion of his time: but in the present state of things, there must be the accumulated results more or less of previous labour, before the sweat of the brow can be expended with beneficial effect.

What has made Holland and England so populous, but the capital accumulated and seeking for employment? What is that promotes the prosperous population of our own states, but the constant demand for labour, the full supply of food it produces, and the abundance which is seen every where among the lowest classes of our population? But it is the capital of the person working, or of his employer, that puts this industry in motion, and supplies the consequent abundance.

The course of reasoning I adopt, is as follows, assuming as true my statements of fact, viz:

Population, as in America, if it meet with no more check than it has actually met with in this country during the last half century, will double itself every twenty-five years.

No means have been discovered of encreasing the productiveness of land in any thing like the same proportion. We have no fact whatever to induce us to suppose that land which at its very best cultivation now, produces fifty bushels of Indian corn, will at any future time produce regularly more than one hundred bushels.

Therefore, the tendency of population unchecked, will always and every where enable it to overrun the supply of food.

The more abundant are labourers seeking for employment, the lower will wages be; for if there be wages equal to ten, to divide among labourers equal to ten, each labourer will have one part: but if you double the number of labourers, you entitle each to one half a part only. Competition will produce this result.

The comfortable subsistence of the labourer and his family depends on an adequate supply of food, cloathing, firing, and wholesome habitation. All these will be scanty in proportion as wages are low: disease of debility accompanies want of food, want of cloathing, want of firing, and inadequate habitation.

Permanent demand for labour depends upon permanent capital, devoted to productive employment: wages depend on demand: the greater the amount of capital offering wages, the greater the demand; the higher the wages if the labourers be few; and the greater will be the number employed where they are numerous, in proportion as the demand and the capital are large.

Income expended, is that portion of revenue which is annually consumed, eaten up, drank up, worn out in cloathing, ex-

pendent, annihilated in house rent, and all the other modes of absolute consumption: out of income expended, nothing remains; that which is expended within the year, can afford no employment at the end of the year; for it is gone! capital saved out of revenue for the purpose of being employed productively, can alone supply to additional labourers, permanent employment and wages.

My conclusion therefore is, that population may encrease momentarily, but it will be starved out of existence without a permanent and adequate demand to support it. That demand is the offspring of capital. I contend that capital gradually saved out of income, and set to work to produce profit, is the *only* source of regular demand for labour; the *only* basis of a permanently encreasing population, of national power, and of national prosperity. To capital quietly and gradually accumulated, rather than suddenly acquired, we owe all our comforts, all our improvements, and every useful scheme by which the condition of man in society has been or is likely to be ameliorated. Hence, that government which being effective, is the least expensive, best answers these desirable ends.

ARITHMETIC OF POPULATION,

From an average enumeration of six years in France from 1816 to 1823. *Revue Encyclopedique* v. 25, p. 589.

The average population for six years (1816 to 1823) within the actual limits of France, amounts to 30,319,444 persons. The actual number in 1820 was 30,407,907.

TABLE FIRST.

Mean population,	30,319,444	were,	386,453
Annual marriages,	218,917	Females,	378,395
Annual births,	957,876	Yearly increase of total population,	193,028
Of these there were,		Of which the males were,	107,773
males,	494,227	The females,	85,255
females,	463,649	The preceding data from actual enumeration, support the conclusions embraced by the following tables.	
Of these births the legitimate were,	292,677	TABLE SECOND.	
Legitimate male children,	460,811	In a population of 1,000, there will be annually, in such a country as France,	
Legitimate female children,	431,866	Marriages,	*7,23
Illegitimate children,	65,199	Births,	31,59
Of which the males were,	33,416	Males born,	16,30
females,	31,783	Females born,	15,29
The annual deaths were,	764,848	Legitimate children,	29,44
Of which the males			

* That is 7 and 23 hundredths, marked decimally.

Legitimate males,	15,20
Legitimate females,	14,24
Illegitimate births,	2,15
Illegitimate males,	1,10
Illegitimate females,	1,05
Deaths,	25,23
Male deaths,	12,75
Female deaths,	12,48
Annual encrease of population,	6,36
Whereof the males are,	3,55
The females are,	2,18

TABLE THIRD.

1,000 annual births, suppose,	Decimals.
Of total population,	31,652,79
Marriages,	228,54
Male births,	515,79
Female births,	484,03
Legitimate births,	931,93
Illegitimate births,	68,07
Deaths,	798,48
Male deaths,	403,45
Female deaths,	395,03
Encrease of population,	201,52

TABLE FOURTH.

1,000 annual marriages suppose,	Decimals.
A population of	138,497,44
Births,	4,375,52
Male births,	2,257,60
Female births,	2,117,92
Legitimate births,	4,077,70
Illegitimate births,	297,82
Deaths,	3,493,78
Male deaths,	1,765,30
Female deaths,	1,728,48
Encrease of population,	381,74

TABLE FIFTH.

1,000 annual births, suppose,	Decimals.
A population of	31,562,79
Marriages,	228,54
Male births,	515,79
Female births,	484,03
Legitimate births,	931,93
Illegitimate births,	68,07
Deaths,	798,48
Male deaths,	403,45
Female deaths,	395,03
Encrease of population,	201,52

TABLE SIXTH.

1,000 annual deaths, suppose,	Decimals.
A population of	36,641,14
Marriages,	286,22
Births,	1,252,38
Male births,	646,18
Female births,	606,20
Legitimate births,	1,167,14
Illegitimate births,	85,24
Male deaths,	505,27
Female deaths,	494,73
Encrease of population,	252,37

TABLE SEVENTH.

Of the population to	Marriages, 138 1-2 to 1
	Births, 31 2-3 to 1
	Deaths, 39 2-3 to 1
	Encrease, 157 to 1
Of births to	Deaths, 5 to 4
	Marriages, 4 2-5 to 1
Total of legitimate births to	Illegitimate births, 13 2-3 to 1
	Marriages, 4 1-12 to 1
Male births to female,	16 to 15
Male deaths to female,	42 to 40

The greater proportion of male births to female, extends as a general law all over Europe.

The population to the births, has usually been calculated at twenty to one, and the population to the deaths at thirty to one. We see here the fact is that the population to the births in France is as thirty-one and two thirds to one: and to the deaths as thirty-nine and two thirds to one, shewing a probable amelioration in the science of life.

Laws of mortality in France since 1755, by Mr. Benoiston of Chateauneuf: Philadelphia Medical Journ. 1826, p. 405.

Of one hundred infants, one half died formerly during the two first years of life. At present instead of fifty per cent, the deaths are only 38,3. This is ascribed chiefly to the beneficial effect of vaccination.

Of one hundred children, 55 formerly died before ten years of age: at present the mortality is 47,7.

Of one hundred male children, 21,5 only reached to the age of fifty: at present the number attaining that age, is 32,5.

It was formerly ascertained that the rate of mortality annually was one in thirty: it is now, one in thirty-nine.

The births were formerly one in twenty-five: they are now one in thirty-one.

Marriages were as one to one hundred and eleven: they are now as one to one hundred and thirty-five.

The fecundity of marriages continues the same, viz, about four children to each marriage.

Dr. Villermé in 1824 published considerations on the births and deaths in the City of Paris. His conclusions from the tables given and the facts stated, are,

1. In the fourteenth century the deaths were to the population as one to sixteen or seventeen.

In the seventeenth century as one to twenty-five or twenty-six.

At present as one to thirty-two and three tenths.

2. In former times, the deaths were more numerous than the births; at present the reverse is the case.

3. There are more males still-born than females: and for the

first three months after birth, more males die than females.

4. The month of June produces more conceptions and fewer births than any other. The births are most numerous in March and April.
 5. The deaths among the poor are in greater proportion than among the rich. In the first municipal district of Paris, where the inhabitants are wealthy, the deaths are as one to forty-six and a half, in the twelfth district, which is the abode chiefly of poor people, as one to thirty-six and four fifths.
 6. Of those who are sent to the hospitals, and religious receptacles (hospices) the deaths from the twelfth district are double those in the first.
 7. In the poorest of these two districts, the births are as one to twenty-six; in the wealthiest as one to thirty-two; but proportionally, there are as many children of five years old in the one district as in the other. Hence the poor produce more children, but do not take the same care of them.
 8. Infants abandoned, and foundlings, are occasioned far more by poverty than debauchery. Of such infants three fourths die the first year.
 9. All public misfortunes decrease births, and encrease deaths.
- The amelioration of the present day, is to be ascribed, to more cleanliness, more and better food, and cloathing, a better police, and more skill and rational practice in the medical art, than formerly.

PROGRESSIVE POPULATION OF GREAT BRITAIN.

Years.	England.	Wales.	Scotland.	Army & Navy.	Total in G. Britain.
1781	7,473,000	480,000	1,470,000	250,000	9,673,000
1791	8,175,000	500,000	1,500,000	200,000	10,175,000
1801	8,331,000	541,546	1,599,068	470,958	10,942,646
1811	9,538,000	611,788	1,805,688	640,500	12,596,803
1821	11,261,437	717,438	2,093,456	319,300	14,391,631
Population of Ireland very near 7,000,000					
Of the other British Isles 90,000					
Besides the West and East Indies.					
				Total in 1824,	21,481,139

Distribution of Employment in Great Britain.

In G. Britain.			
Families employed in agriculture in	England,	773,732	} 978,656
	Wales,	74,223	
	Scotland,	130,700	
Families employed in manufacture and trade			} 1,350,239
	in England,	1,118,295	
	Wales,	41,680	
	Scotland,	190,264	
Families otherwise employed in	England,	454,690	} 612,486
	Wales,	30,801	
	Scotland,	126,997	
Total number of families in	England,	2,346,717	} 2,941,383
	Wales,	146,706	
	Scotland,	447,960	

Making very nearly five persons to a family throughout.

The population per square mile of Great Britain is at present	86
England	*210
Ireland about	†266

Further items of British population, Edinburgh Journal, 1826.

Number of individuals able to bear arms from 15 to 60,	2,744,478
Number of marriages yearly,	98,030
Of these, 1 in 21 had no issue.	
Number of deaths yearly,	332,708
Female deaths compared to male,	as 50 to 54
Married women longer lived, than single women.	
Children from each marriage in the country,	4
In towns, seven for every two marriages.	
Number of married women to the whole number of females, as	1 to 3
Number of married men to the whole number of males, as	3 to 5
Number of widows to widowers,	as 3 to 1
Number of widows who marry again, to the number of } widows who do not marry again,	as 7 to 4
Number of twins to ordinary births,	as 1 to 65
Number of males born to females,	as 96 to 95
One half of the whole population dies before attaining the age of 17 years.	
Those who live in elevated places live longest.	
One person in 3,126 attains the age of 100 years.	

See Boston Journal, No. 17, p. 496.

* Hence the encrease of population has been greatest, during the period of the greatest improvements in machinery.

† If the contents of Ireland in square miles be reckoned as usual at 27,457 this is the number: if according to Beaufort, at 30,370 it will be not quite 224 per square mile. The population appears to be encreasing.

Progressive Population of the United States.

TOTAL POPULATION AT EACH CENSUS.

*Aggregate Amount of each description of person in the United States:
and the Territories thereof, in 1790, 1800, 1810, and 1820.*

STATES & TERRITORIES.	1790	1800	1810	1820
Maine,	96,540	151,719	228,705	298,355
New-Hampshire,	141,885	183,858	214,460	244,161
Massachusetts,	378,787	422,845	472,040	523,287
Rhode-Island,	68,825	69,122	76,931	83,059
Connecticut,	237,946	251,002	261,942	275,248
Vermont,	85,539	154,464	217,895	235,764
New-York,	340,120	586,050	959,049	1,372,812
New-Jersey,	184,139	211,149	245,562	277,575
Pennsylvania,	434,373	602,548	810,091	1,049,458
Delaware,	59,094	64,273	72,674	72,749
Maryland,	319,728	349,692	380,546	407,350
Virginia,	747,610	886,149	974,622	1,065,366
North-Carolina,	393,751	478,103	555,500	638,829
South-Carolina,	240,073	345,591	415,115	502,741
Georgia,	82,548	162,686	252,433	340,989
Alabama,	—	8,850	40,352	127,901
Mississippi,	—			75,448
Louisiana,	—	—	20,845	153,407
Tennessee,	35,691	105,602	261,727	422,613
Kentucky,	73,677	220,959	406,511	564,317
Ohio,	—	—	230,760	581,434
North-west Ter.	—	45,365	—	—
Indiana,	—	5,641	24,520	147,178
Illinois,	—			55,211
Missouri,	—	—	20,845	66,586
Michigan,	—	—	4,762	8,896
Arkansas,	—	—	—	14,246
District of Columbia,	—	14,093	24,023	33,039
Total,	3,929,326	5,319,762	7,239,903	9,637,999

CENSUS—COMPARATIVE VIEWS.

Total number of Free White Inhabitants in the United States, according to the Census of 1790, 1800, 1810, and 1820.

STATES & TERRITORIES.	1790	1800	1810	1820
Maine,	96,002	150,901	227,736	297,340
New-Hampshire,	141,097	182,995	213,490	243,236
Massachusetts,	373,324	416,293	465,403	516,419
Rhode-Island,	64,470	65,438	73,214	79,413
Connecticut,	232,374	244,751	255,179	267,181
Vermont,	85,298	153,908	217,145	234,846
New-York,	314,145	555,063	918,699	1,332,744
New-Jersey,	169,954	194,325	226,868	257,409
Pennsylvania,	424,099	586,275	786,804	1,017,094
Delaware,	46,310	49,852	55,361	55,282
Maryland,	208,649	221,998	235,117	260,222
Virginia,	442,117	518,674	551,534	693,074
North-Carolina,	288,204	337,866	376,430	419,206
South-Carolina,	131,181	196,255	214,196	237,440
Georgia,	52,986	101,068	145,416	189,566
Alabama,	—	—	—	85,451
Mississippi,	—	5,179	23,264	42,176
Louisiana,	—	—	34,311	73,388
Tennessee,	31,913	91,709	215,875	339,727
Kentucky,	61,133	179,875	324,237	434,644
Ohio,	—	45,028	228,861	576,572
Indiana,	—	5,343	238,90	145,753
Illinois,	—	—	11,501	53,788
Missouri,	—	—	17,227	55,988
Territ'y of Michigan,	—	—	46,18	8,591
Terr'y of Arkansas,	—	—	—	12,552
District of Columbia,	—	10,066	16,079	22,614
Total,	3,172,146	4,296,745	5,862,093	7,861,710

CENSUS—COMPARATIVE VIEWS.

*Total Number of Slaves in the United States, according to the Census
of 1790, 1800, 1810, and 1820.*

STATES & TERRITORIES.	1790	1800	1810	1820
Maine,	—	—	—	—
New-Hampshire,	158	8	—	—
Massachusetts,	—	—	—	—
Rhode-Island,	948	380	108	48
Connecticut,	2,764	951	310	97
Vermont,	16	—	—	—
New-York,	21,321	20,613	15,017	10,088
New-Jersey,	11,421	12,422	10,857	7,557
Pennsylvania,	3,733	1,706	791	211
Delaware,	8,887	6,153	4,175	4,509
Maryland,	103,037	107,707	111,507	107,398
Virginia,	292,627	346,968	392,518	425,153
North-Carolina,	100,572	133,196	168,824	205,017
South-Carolina,	107,091	146,151	196,365	258,475
Georgia,	29,264	59,699	105,218	149,656
Alabama,	—	—	—	41,879
Mississippi,	—	3,489	17,088	32,814
Louisiana,	—	—	34,660	69,064
Tennessee,	3,417	13,584	44,535	80,107
Kentucky,	12,430	40,343	80,561	126,732
Ohio,	—	—	—	—
Indiana,	—	135	237	190
Illinois,	—	—	168	917
Missouri,	—	—	3,011	10,222
Terr'y of Michigan,	—	—	24	—
Terr'y of Arkansas,	—	—	—	1,617
District of Columbia,	—	3,244	5,395	6,377
Total,	697,697	896,849	1,191,364	1,538,128

CENSUS—COMPARATIVE VIEWS.

Distribution of Employment in the United States.

Number of persons, in the several States, employed in Agriculture, in Commerce, and in Manufactures, with the Representative number, according to the Census of 1820.

STATES & TERRITORIES.	Agriculture.	Commerce.	Manufactures.	Representative population.
Maine,	55,041	4,297	7,643	298,335
New-Hampshire,	52,334	1,068	8,699	244,161
Massachusetts,	63,460	13,301	33,464	523,287
Rhode-Island,	12,559	1,162	6,091	83,038
Connecticut,	50,518	3,581	17,541	275,208
Vermont,	50,951	776	8,484	235,764
New-York,	247,648	9,113	60,038	1,368,775
New-Jersey,	40,811	1,830	15,941	274,551
Pennsylvania,	140,801	7,083	60,215	1,049,449
Delaware,	13,259	533	2,821	70,943
Maryland,	79,135	4,771	18,640	364,389
Virginia,	276,422	4,509	32,336	895,038
North-Carolina,	174,196	2,551	11,844	556,821
South-Carolina,	166,707	2,684	6,747	399,351
Georgia,	101,185	2,139	3,557	281,126
Alabama,	30,642	452	1,412	111,147
Mississippi,	22,033	294	650	62,320
Louisiana,	53,941	6,251	6,041	125,779
Tennessee,	101,919	882	7,860	390,569
Kentucky,	132,161	1,617	11,779	513,623
Ohio,	110,991	1,495	18,956	581,434
Indiana,	61,315	429	3,229	147,102
Illinois,	12,395	233	1,007	54,843
Missouri,	14,247	495	1,952	62,496
Michigan,	1,468	392	196	—
Arkansas,	3,613	79	179	—
District of Columbia,	853	512	2,184	—
Totals:	2,170,646	72,493	349,506	—

CENSUS—COMPARATIVE VIEWS.

Comparative views of the different description of Persons according to the Census of 1820.

FREE WHITE CITIZENS.

	<i>Males.</i>	<i>Females.</i>
Under 10 years,	1,345,220	1,280,550
From 10 to 16,	612,535	605,343
From 16 to 26,	776,150	781,371
From 26 to 45,	766,003	736,600
Over 45,	495,065	462,738
	<hr/>	<hr/>
	3,995,053	3,866,657
Total free white citizens,		7,861,710

FREE COLOURED PERSONS.

	<i>Males.</i>	<i>Females.</i>
Under 14 years,	47,659	45,858
From 14 to 26,	24,048	28,000
From 26 to 45,	23,450	27,181
Over 45,	17,613	10,881
	<hr/>	<hr/>
	112,770	120,760
Total free coloured persons,		233,530

SLAVES.

	<i>Males.</i>	<i>Females.</i>
Under 14 years,	343,852	304,344
From 14 to 26,	203,088	200,436
From 26 to 45,	163,723	152,693
Over 45,	77,365	70,607
	<hr/>	<hr/>
	788,028	750,160
Total slaves,		1,538,128

All other persons, except Indians, not taxed,

9,633,368
4,631

Total, exclusive of foreigners not naturalized,
Foreigners, not naturalized,

9,637,999
53,687

Total population in the United States, according }
to the Census of 1820,

9,691,686

CHAPTER 25.

OF POOR LAWS. SAVING BANKS. MENDICITY.

From the time of Pope Gregory 597, tithes paid to the clergy were expressly directed to be divided into four parts, one was dedicated to the bishop, one to the clergyman, incumbent or parson, one for maintaining the poor, and one for repairing and keeping up the church. To this common law of tithes, Blackstone assents; (1 *Comm.* 385.) But the clergy soon contrived to throw off this burthen, so far as it was compulsory.

Several laws were passed respecting the poor and vagrants as in 12 R. 2. 11 H. 7 19 H. 7. 22 and 27 H. 8; but we hear no complaints of any consequence respecting the poor, till the suppression of the monasteries by Hen. 8th, near the time of the last act. While these institutions continued, they contributed to the support of the poor by largesses of food, with a liberality that became from its indiscriminate extent, a public nuisance.

When the military retainers of the feudal barons were checked and diminished by the policy of H. 7, when the fashion began to prevail of laying several small farms into one large one, in the reigns of H. 7th and H. 8th, 4 H. 7 ch. 19. 25 H. 8th 13, and when the monasteries were suppressed by H. 8, the country swarmed with idle poor, now roaming about, and striving by begging, and by thieving to obtain that support, which the system of small farms now abandoned, the great barons, monks and the monasteries could no longer afford them. Several attempts were made for their relief, but none upon any regular system till the 43 Eliz. ch. 2, which is the foundation of the poor-laws in England; and which has been followed in great part, in most of the States of North America, without the strong reasons of humanity and policy which then existed.

That the clergy have contrived to relieve themselves from paying the fourth part of the tithe to the poor, to whom it really belongs, is among the earliest knaveries of that cunning, ambitious, and avaritious body of men. But the time is approaching in England, when the people will be compelled to enquire what services the clergy render for eight millions sterling per

annum which they force out of the pockets of the people, and why these functionaries do not as they ought, contribute a fourth part of the tythes they draw from the land, toward the eight million paid also by the people in support of the poor of that country. The clergy are like the judges, and other public functionaries: instituted for the purpose of rendering services to the public in proportion to their pay: and when the people are of opinion that the services rendered are not worth the salaries paid for them, it will be the duty and the interest of the people to make such a reform as the circumstances may require, even if it were to extend to the dismissal of the whole order, rendering them dependant on the voluntary contributions of those who are disposed to contribute; as they were for centuries after the Christian era, and as they are now in this country; where their salaries are liberal, their duties well executed, and their moral conduct for the most part irreproachable: and I know of no other plan than that of voluntary contribution, to make and to keep them so.

For these ten years past, the poor rates of England have been six to eight million sterling a year on the average. This year 1826, they will probably amount to ten million. We have not arrived at this expence yet in the United States, but we are in the high road toward it; unless the system be every where put under much more strict regulation than it has hitherto been.

The subject has become of a magnitude so alarming, that it has been taken up in Massachusetts, New-York, and Pennsylvania. In the former State, I believe no pauper is now legally entitled to any relief, who is not actually disabled from earning his own living by sickness, lameness, blindness or old age. The admirable system of *savings-banks*, is not yet sufficiently known and appreciated among us.

By the report of the Secretary of State of New-York, February 9, 1824, it appears that in the state of New-York,

One person in	220	is a pauper
Massachusetts, one in	68	
Connecticut, one in	150	
New Hampshire, one in	100	
Delaware, one in	227	
Interior of Pennsylvania, one in	339	
State of Pennsylvania, one in	265	
Illinois, too few to be noticed.		

In New-York State, the cost of maintaining the poor, varies from thirty to thirty-five dollars per head per annum.

In Pennsylvania, I have reason to believe, it is from twenty four to thirty idlers.

Pauperism and disease, are generally found associated, wherever the poor are left to their own management. For indolence is usually the parent both of the one and the other. In well governed alms-houses it is not so; for cleanliness is there insisted on, and compelled. The rich are not sufficiently aware, how much their own health depends on a good police respecting the poor.

The objections to the system of Poor Laws, are:

1. They compel the industrious and frugal part of the community to support in idleness, the idle and improvident class.

2. They take away the incentives to saving and frugality; for the poor knowing the provision made for them, look to that for support in the last resort.

3. They are a premium therefore for the encouragement of idleness, extravagance, drunkenness, and imprudent marriages; with debilitated and neglected offspring.

4. They lower wages to the industrious, by the money taken out of the pockets of those who contribute to the poor rates: it is so much detracted from capital that might have been employed productively, by setting the industrious to work.

5. They take away all motives to private charity, which under the system of poor-laws, is always misplaced: for it relieves, not the indigent, but the township.

6. It renders the poor, careless and insolent toward their employers: The poor man's song in England, is,

Hang sorrow, and drive away care,
The parish is bound to find us.

7. The poor rates are always and necessarily encreasing: for they encourage the evil they are enacted to remedy. That is, they multiply labourers artificially without reference to the demand for them: hence they multiply in the same proportion all the miseries attendant upon scanty wages, and mouths calling for food beyond the supply. Hence an additional call upon the tax, which creates the very misery it is called on to relieve. Suppose the families of the poor to be fully supported with the wholesome but plain food, is it not evident they would do-

ble their numbers in twenty-five years and so on progressively? The industrious increase created by the employment of capital, would go on also at a progressive rate dependant on the accumulated capital which gives them support. Are not the poor-laws which produce this effect, a most mischievous system—a most efficient method of multiplying human misery?

8. They debase and degrade the feelings of the lower class of the community: who gradually look at a poor house as a desirable asylum, and become dead to the ignominy of dependence.

9. They are too generally a source of peculation among the overseers of the poor: a means of mutual jobbing among these officers to the advantage of each other: a tax on the community greatly objectionable as to the manner of imposing it, seldom enquired into as to its expenditure, doing no good to the poor, doing injury to those who pay it, and operating mischievously on the morals of the lower classes of the community.

10. The great and encreasing amount of the poor rates, constitutes a dreadful tax on the community. In England they have been as high as forty million of dollars in one year. In Philadelphia, they are proceeding at a similar rate; so that during the session of 1825, Mr. Meredith from the committee on the poor laws, presented an elaborate report with a very curious and important detail of facts; and containing the following general view of the poor laws offered by the committee, viz:

“Upon the whole, your committee are convinced, that the effect of a compulsory provision for the poor, is to increase the number of paupers; to entail an oppressive burthen on the country; to promote idleness and licentiousness among the labouring classes; and to afford relief to the profligate and abandoned, which ought to be bestowed on the virtuous and industrious alone. That the poor laws have done away the necessity for private charity; that they have been onerous to the community; and every way injurious to the morals, comfort and independence of that class for whose benefit they were intended. That no permanent alleviation of the evils of the system can rationally be expected from the erection of poor houses, or from any other similar expedient; and that the only hope of effectual relief, is the speedy and total abolition of the system itself. In this country, where there are no privileged orders, where all the

classes of society have equal rights, and where our population is far from being so dense as to press upon the means of subsistence, it is indeed alarming to find the increase of pauperism progressing with such rapidity. It should be observed too, that in this state (Pennsylvania) particularly, our citizens are in all probability on the verge of becoming extensively engaged in manufactures; and the example of England may teach us that it is on a manufacturing population, that the poor laws operate most deleteriously and fatally. An agricultural people are naturally more hardy and independent, and are likely to resist for a longer time, the temptations which the system holds out to them. It was when a large proportion of the English people betook themselves to manufactures, that the rapidity of the increase of pauperism, was enhanced in an enormous degree. We are rapidly treading in the footsteps of England; there, the disease has been tampered with, until it has become inveterate and incurable; and her best and wisest men regard it, and despair. We should profit by her experience and return upon our steps while the path is open. It is believed that with prudence and caution we may yet do so: but whatever is to be done should be done quickly; for in the mean time, we are hurrying towards the precipice, and we cannot tell how soon retreat may become impracticable,—*Poulson's American Daily Advertiser, Feb. 23, 1825, Philadelphia.*"

Mr. Meredith in this report, founded on a very careful examination by detailed account of facts, has uttered no opinion that does not confirm the report of the Philadelphia Library committee in 1817. Nor any sentiment that is not common among the best informed men in England upon the subject of the poor laws.

There is not a proposition better established than this: to bring into existence a family of children without any reasonable means or prospect of supporting them, or providing employment by which they can be supported, is to bring a burthen and a tax on the prudent and industrious part of the community; it is to enable the thoughtless, the idle, and the extravagant to gratify their passions and indulge their pleasures without caring who pays for them. The laws that tax the whole industry of the community, to maintain and support these useless beings, are any thing but just and wise. Every human creature produced,

beyond the number that capital can employ, is a misfortune to every co-existing industrious labourer; whose wages are thus reduced below the standard of health and comfort by means of the competition which superabundant population always and necessarily produces.

George Ensor, Esq. in his book entitled *The Poor and their Relief*, has made out a very ingenious, and I think a very strong case in favour of the right of the English poor to be provided for, under the present or some such system, from the disabilities and oppressions to which the poor are peculiarly subjected in that country; from the aristocratic nature of its institutions, the oppressive amount of taxes the burthen of their actual operation upon the unfortunate lower classes of that country, and the effect of the corn laws. I did read his book, with a conviction that he had much reason on his side. But his arguments do not apply here; nor do I know any mode of defending the system of poor laws among us, that ought to have weight with a reasonable man. They are, here and every where, undoubtedly liable to the objections I have enumerated, and ought to be abolished, for the one unanswerable reason, that they create, originate, and keep on foot their own necessity.

The poor soldiers and sailors, I allow should be provided for by government. Famine, inundation, storm, tempest, and pestilence, may perhaps require sudden relief to be afforded by special provision on the spur of the occasion; for these are unforeseen calamities, that could not be counted on: but all relief to persons in this country able to work, is absolutely indefensible and wrong. Even cases of disability ought to be left to private charity, which should in no instance embrace the victims of idleness, extravagance, or vice. The only persons who can make out a plausible claim to compulsory relief, are the female victims of male extravagance. Even in this case, the certainty of the females and children being supported, would take away the strongest of all checks to improper conduct, and operate as a bounty on that dissipation which the public good requires to be suppressed.

One great, far the greatest, support of the poor rates—the most efficient mischief beyond all doubt, is the frequency of low taverns and grog shops, where whiskey is retailed. In every state of the Union, there seems to be a propensity to support

vice for the sake of taxation. If it were not so, we should have an efficient prohibitory tax on these retailers of poison; and the name of a lottery would be unknown in our country. We seem to legislate without sufficient regard to the moral bearings of the laws we enact.

Having for many years thought and read on this subject, I have long come to the conclusion, that the mischiefs of poverty can be counteracted by no form of charity dispensed by the rich, but by the conduct of the poor alone; that the whole system of compulsory relief ought to be pruned down to cases of absolute necessity; especially as the modern remedy of Savings-Banks offers a resource so adequate to the wants of the industrious poor.

SAVINGS-BANKS. Institutions for the benefit of the poor, under the management of the poor, in which they can invest their savings however small, and draw them out again with interest at a future time, when misfortune or disease requires the aid of the fund thus providently accumulated. In this way, the regular saving of a sum too small to be of any account in any other way, becomes an object of no small importance, when made the most of, by the directors of these admirable institutions.

I copy the introduction to the address of the Philadelphia Saving-Fund Society, 1817 which contains details well worth consultation. Believing that the two societies called the *Savings-Funds Society*, and the *Mechanics Institution* for extending scientific information among mechanics, now common all over England, and recently adopted in Philadelphia, are calculated to do more good to those who need it, than any other inventions for the benefit of the great mass of Society, I anxiously wish to call the public attention to them. The mechanics institution is described and recommended in the Edinburgh review for October 1824. The Franklin Institute in Philadelphia is a copy of it in successful operation.

“To promote economy and the practice of saving among the poor and labouring classes of the community; to assist them in the accumulation of property, that they may possess the means of support during sickness or old age; to render them in a great degree independent of the bounty of others; and to give them a reasonable claim to that bounty if misfortune should render it

necessary—is a duty incumbent upon all, who by their services and advice have it in their power to effect so desirable an end. Of the charitable institutions that have had for their object the amelioration of the human condition, none perhaps deserve higher commendation than those which under the title of *Provident Societies*, or *Savings-Banks*, have lately been introduced and established throughout Great Britain. Their design is, to afford a secure and profitable mode of investment for small sums (returnable at the will of the depositor on a short notice) to mechanics, tradesmen, labourers, servants, and others, who have no friends competent or sufficiently interested in their welfare, to advise and assist them, in the care and employment of their earnings and; who frequently from a total ignorance of the accumulating power of money, neglect to provide beyond the wants of the day.”

Under the management of a well conducted society of this kind, a weekly deposit of a dollar will in ten years amount to six hundred and sixty-three dollars, fifty-six cents, and a monthly deposit of two dollars will amount in the same time to three hundred and five dollars, forty cents. A monthly deposit of fifty cents, will amount in ten years to one hundred and ten dollars, ninety-two cents. A monthly deposit of ten dollars, will produce in ten years four thousand two hundred and ninety-two dollars, eighty-eight cents. Results which are extremely important to shew how beneficial small savings may thus be made, when the sums deposited are of sufficient amount to be employed productively.

In this country, there is no man so poor as not to be able to invest a small weekly sum in an institution of this kind. In ninety-nine out of a hundred instances, this would take away the necessity of a resort to the alms house: and those who have the opportunity of enjoying the benefit of these institutions, and voluntarily neglect it, ought to be considered as having cut themselves off from all title to charitable relief.

For this reason, it is of very great importance to the nation, to extend, promote, and encourage, these institutions which are not so well known among us, as their great utility deserves that they should be. The habit of temperance, of saving and self denial which they are calculated to introduce, would gradually bring on a tone of moral feeling among the lower classes of

society, of incalculable benefit not to them merely, but to the whole community. Their good practical effect is established beyond all doubt by the experience of England.

If these institutions were established, and then made known and recommended by the Clergy, that order of men would deservedly gain great credit with every person of good sense in society.

MENDICITY. Many things says Dr. Paley (*Moral Phil. B. 1 ch. 7*) are to be done and abstained from, solely for the sake of habit. We will explain ourselves by an example or two. A beggar with the appearance of extreme distress, asks our charity. If we come to argue the matter whether the distress be real, whether it be not brought upon himself, whether it be of public advantage to admit such applications, whether it be not to encourage idleness and vagrancy, whether it be not to invite imposture to our doors, whether the money can be well spared, whether it might not be better applied; when these considerations are put together it may appear very doubtful whether we ought to give any thing. But, when we reflect that the misery before our eyes excites our pity whether we will or not; that it is of the utmost consequence to us to cultivate this tenderness of mind; that it is a quality cherished by indulgence; and soon stifled by opposition; when this I say is considered, a wise man will not hesitate to do that for his own sake, which he would have hesitated to do for the petitioner's; he will give way to his compassion rather than offer violence to a habit of such general use. So for Dr. Paley.

These are the ethics of sentimental novelists——of that morbid sensibility that induces a weak female to indulge all her charitable dispositions, not for the sake of doing good upon reflection, but to get rid of the uneasiness, she has accustomed herself to indulge at the sight of pain; perfectly careless, and unconscious whether this indulgence be wrong or right.

So we are to give alms whether it be right or wrong to do so——whether we encourage imposture, fraud and lying, or not, by doing so. So according to this teacher of ethics, we ought to sacrifice our feelings of propriety, and of the public good in order to cultivate sentimental benevolence and tenderness of mind! we are to close our eyes to all consequences, and pay no attention to the real and well founded wants of the petitioner, to

the laws of our country, or to public example, provided only that we cherish for our own sake our tender feelings! we are to consider, not what are the claims of justice and public expedience, but what it is our own interest to do! we are to shut out all reasoning and reflection, to act from feeling alone, and with a view to ourselves alone!

We are to cherish benevolent feelings! what is benevolence? A desire to do good. We are then to do mischief, by way of cherishing a desire to do good! other views to this purpose may be read in an admirable essay in the number of the Westminster review for July 1824, to which I owe this quotation, and the train of reflections I have stated on it. I perfectly agree with the author of that excellent paper, that sensibility and tenderness are not the most praiseworthy end of human actions. I go further; I am perfectly satisfied, our commerce with the world, will furnish abundant proofs that real, substantial charity—that charity which involves deliberate self-denial for the purpose of alleviating human wretchedness, is hardly ever found accompanied by the most palpable external signs of sensibility and tenderness. To decrease in the most effectual way the sum of human misery, and to encrease most effectually the means of human happiness, is the most praiseworthy disposition a human creature can cherish. This is not to be done by an idiot sensibility, consisting in obeying our feelings at the expence of every other rational consideration, and excluding all deliberation and reflection on the consequences that may result from this morbid tenderness of mind. A disposition far from being amiable even in a female; being indisputable evidence of want of sense, want of reflection, and devoted selfishness.

I hardly know a book containing so many flagrant proofs of gross ignorance of the very elements of political economy, as Dr. Paley's moral philosophy. (*vid. Book 3 p. 2. ch. 5. 6. ch. 2.*)

In a country where there are poor laws, not a single pretence *can* exist for begging. The person who gives alms to a common beggar, commits an offence, which although there be no law to punish it, is in fact an injury done to society, by the encouragement of open imposture and impudent fraud.

I know from observation, examination, and personal experience, that in England, mendicity is a trade among nine tenths of those who beg. The reports of the committees of that country

on mendicity, sufficiently establish this fact; a fact, which I have had occasion to verify from my own knowledge. It is of course less excuseable in a country of such plenty as this; where it ought to be invariably punished.

But suppose the poor laws abolished, what are the poor to do? There need be no poor in such a country as this. Count Rumford at Munich, and Buonaparte throughout France, abolished mendicity without any evil resulting from its suppression. It is the gainful resort of the impudent and the idle. Cases that require and will justify charity, may well be left to the feelings of those who are charitably disposed; and the very difficulty of obtaining relief, will in a short time stimulate to those habits of industrious exertion, and prudent parsimony, that will render relief unnecessary. Look at the asylums, the hospitals, the dispensaries, erected and nobly maintained in this country and in England by private subscription, and it will be evident that the fund of voluntary charity, is fully equal to all the real wants of the poor. It is not the suppression of poverty that is wanted, so much as the suppression of idleness, extravagance, dissipation, drunkenness, and vice, which are uniformly the parents of poverty. These are the objects to which the sympathies of the well disposed should be directed, if they desire to produce the greatest sum of good. If I were to designate the persons whose culpable ignorance and mischievous management, occasions more than any other known cause, the necessity of poor laws. I should name the legislature of every State, whose revenues depend in any degree on the licences to lotteries, dramshops and tippling houses; and who compel the hard-working and the frugal, to support the idle poor.

The library committee of the Pennsylvania Society for the promotion of public economy, circulated in 1817 a set of queries of which the 17th was, what would be the best mode of improving the condition of the poor? *All the replies* to this query, comprehend the great propriety or absolute necessity of checking the consumption of ardent spirits among the poor; nor is it possible to peruse the pamphlet published by that society without being impressed as the members of it were, with the necessity of "discouraging the use of ardent spirits, with a rigid execution of the law for suppressing tipling houses and dram shops, as forming one of the most solemn duties of the legislature; the

magnitude of which can only be measured by the wide spreading wretchedness both mental and physical, which proceeds from the intemperate employment of that pernicious article.”*

I am desirous of calling public attention to the evil of poor laws and tipling houses by another view of the subject from Mr. Miller’s inquiry into the statute and criminal law of England as follows:

“ In whatever aspect the operation of the poor laws is considered, they show themselves to be the greatest moral plague that ever overspread a country. How far or how soon it might be practicable to repeal them, it may be difficult to determine; but perhaps no legislative provisions which ever were enacted in any age or country, have contributed so much to cherish every vice at the expense of every virtue, and to encourage disobedience to the laws among those who receive relief, in the exact proportion that they promote the impoverishment of those from whom that relief is extorted. Places of riotous assemblage, and especially unnecessary fairs, are another cause of crimes which ought, indisputably, to be either restricted or abolished. There are said to be no fewer than eighty-two fair days in the neighborhood of London in the course of every summer, each exceeding another in scenes of disgusting disorder and debauchery. Why such nurseries of vice should have been so long tolerated in a civilized and moral country exceeds comprehension, for of all nuisances they seem to be the most easy to be suppressed and least susceptible of vindication. It has been asked, why should not the labouring classes have their places and seasons of enjoyment and indulgence as well as the rich and idle? It is very right they should; but neither the one nor the other ought to be riotous or disorderly. Whether temptation throws out her lures on the village green, or in the streets and saloons of a luxurious city, can make no real difference. At whatever time or place there is a flagrant violation of the most obvious rules of decen-

* While reading this proof, I met with the following paragraph in Nile’s Register for Sept 9. 1826, p. 32. “ *Paupers*: It is stated in an eastern paper that the poor rates in Massachusetts have encreased three fifths within 25 years. There are seven thousand paupers in that State who cost the public three hundred and sixty dollars annually. Intoxication is said to be the common source of pauperism.” This is an expence fifty dollars per annum for each pauper. The same paragraph is also contained in five or six other papers.

cy and decorum, the arm of authority ought to interpose to put a stop to the disgrace and mischief it occasions. Public houses are almost equally objectionable. They exist in such multitudes, both in town and country, perpetually holding out attractions to those classes of the community who are least able to resist them, that they can be regarded in no other light than as schools of iniquity, of which no principle of law or policy can justify the continuance. To find fault with a just allowance of public houses, as places of reasonable recreation and refreshment, would no doubt be both preposterous and ridiculous; but to their excessive numbers, disorderly management, and unseasonable hours, many and grievous evils are distinctly owing. It is in them time and money, which tradesmen and labourers can ill spare, is spent; domestic unhappiness created or increased; bad connexions formed; familiarity with crime established; and consent too often given to become participators in its perpetration. It is there illegal combinations are organized; plans for the commission of crimes usually proposed and arranged; and there the actors in them almost invariably reassemble after their accomplishment. That the continuation of them should ever have been seriously defended on the score of their being a rendezvous where criminals may be conveniently traced or caught seems almost incredible. It might with as much truth be contended, that covers are prejudicial to the breed of game, because it is sometimes shot where it is sheltered. Those who are in possession of the Report of the Committee on Gaols are intreated to turn to the evidence of Dr. Lushington, printed at page 162, and they will find proof of the encouragement and assistance which public houses lend to delinquents, of which till then they had no conception. It puts the necessity of a more effective preventive police in the strongest possible point of view. How that object is to be attained, whether by strengthening the hands of the commissioners of police by a larger force or greater powers, or in any other manner, is an intricate subject, and one upon which it would in this place be unadvisable to enter. One thing is certain, that without giving them greater authority over certain sorts of houses and persons than they enjoy at present, no material good can ever be effected. This would in some instances demand the surrender of some of the privileges of the subject, and whatever sacrifice can reasonably be demanded for that pur-

pose ought to be made without reluctance. The scenes of depravity disclosed in that Report, reflect disgrace on the license system, on the whole police of London, and excite wonder and astonishment that such deeds could be acted night after night, without colour or concealment, in any country where criminal law exists and civil order is established. If the multiplication and management of public houses really augment misery and guilt to that degree which has been here supposed, the good they do to agriculture and the revenue by the sale of spirits; is but a slender compensation for the evil they occasion. To connive at dissolute or desperate habits, because they may help to replenish an exhausted treasury, will be thought but a miserable shift for any minister, as long as any sense of right and wrong is left among us. It has not even the merit of a sound state expedient; for private vices, when traced through all their consequences, will never prove in the end to be public benefits; and no prodigal heir ever disposed of his expectations so improvidently, as a finance minister, who, for the supply of the immediate wants of the state, practically assigns over the expectant virtue of his country."

I am very much inclined to ascribe the great prevalence of *insanity* of late years to the effect of ardent spirits in producing constitutional derangement in the offspring of those who have been much addicted to the practice.

If a temporary derangement of intellect be the constant result of an occasional excess in the use of stimulating liquors, a permanent derangement of intellect, will as surely be the result of an habitual excess. That which we call habit, arises from the repetition of single acts. It is a law of pathology, that frequent repetition of functional derangement, at length produces organic derangement; and that is propagated. In this way, where absolute insanity is not propagated, a deterioration of intellectual power, proportionate to the cause, surely is. This is a subject which if more frequently thought on by parents, might tend to check the abuse in question.*

Perhaps until we see our way more clearly, the present system of poor laws being repealed in toto, we might grant

* In Great Britain the return of registered lunatics from 1815 to 1824 is 7904 persons: of whom the females are as four to three. In Scotland it is about half as many.

compulsory relief of the frugalist description to every poor person unable to work, from actual sickness, lameness, blindness, old age, or who is an orphan child; and no other: encouraging as much as possible the system of Savings-Banks. Five years notice of the proposed repeal, would be reasonable.

CHAPTER 26.

OF POLICE LAWS RELATING TO INSTRUCTION AND EDUCATION.

It is in vain to talk of equal rights and equal laws—of the obligation of constitutions—the dependency of legislatures—or the responsibility of public officers, to members of a community who can neither read or write.

The first duty of a republic, is to provide for the instruction of its citizens: the next, to exact the evidences of it. The most useful, the most charitable of all contributions, is the contribution of knowledge.

One of the contrivances of an antient tyrant, was to engrave his laws in characters so small, and to hang up the tablets so high that the people who were required to obey them could not read them. The British parliament have acted much in the same way: their criminal code, does not consist merely of the common law with the innumerable distinctions and decisions belonging to the penal portion of it, but of seven hundred and fifty verbose, close printed and in many cases incongruous statutes; the inventions for the most part of aristocratical pride, of fiscal necessity, and manufacturing cupidity. Surely for a code of such voluminous fecundity pressing upon the people, the necessity of a national education, is most glaring: yet the benefit of clergy is still a part of the law by which males who can read are exempted from the punishment of crime to which the ignorant poor, and offenders of the female sex are yet subjected. Let it be so there: it ought not to be so here; more especially as we adopt the British maxim, *Ignorantia legis, excusat neminem*.

There is no remedy against mistake or imposition of any kind, political, clerical, medical, or legal, but knowledge. There is no method of attaching the mass of the people to republican institutions, or of inducing them to prefer common sense to

mystery, but by giving them information, and enabling them to think and reflect. Ignorance is necessary to the continuance of slavery; whether the object be to keep the mind or the body, or both in chains. Hence throughout Europe, the dread of discussion; the tyrannical extent of the doctrine of libel; the morbid aversion of legitimacy to all mental improvement beyond mere scientific fact. Hence the holy alliance in that quarter of the world between church and state, in which one party says to the other, "if you will preach up and inculcate implicit faith in all the mysteries of politics, and implicit obedience to all the pretensions of government, we will enforce all the theological mysteries that you may deem requisite to a full command over the minds of the people, and a plentiful share of the public wealth." We want no learned men in our dominions, says the present Emperor of Austria; we want none but good subjects; we want no instructors but the worthy priests.

As a member of the holy alliance, he was right. But look at the effect of this doctrine, in Spain, Italy, Austria, France, where the priesthood regulates every thing!

It is not sufficient that a knowledge of elementary science should be diffused among every class of the people; they should know also, if time admit, the *elementary* truths of politics, political economy, and ethics. This may seem a great deal, but almost all that is valuable as elementary and demonstrative truths in these branches of knowledge, may be taught in twelve months. If we are to have enlightened legislators we must have enlightened electors; especially in a government where the principle and the practice of universal suffrage is required to prevail. Without this knowledge, that principle and that practice is liable to many very formidable if not insuperable objections; give the knowledge, and the objections are answered: and I think it can be given. The *Mechanic Library Societies*, and the *Mechanic Institutions* for the purpose of affording and acquiring elementary science, now so prevalent in England, and commencing in New York and Philadelphia, show what prodigious benefit can be effected in that way; and a very moderate extension of the principle, will embrace all that is wanted for the purposes of a republican elector. To extend knowledge among the rich, is doing great good: for the truths that have to fight their way in the

present generation, will become axioms universally adopted half a century hence: but he is the best patriot who extends the blessings of knowledge among the great mass of mankind; among those whose condition most requires to be improved. If liberty is to be placed on firm ground, it must be by the means here suggested, for there are no other equal to the required effect.

In the present state of public sentiment and public information, the requisites I now propose, will I fear, be more than can be soon acceded to: and it may be wise not to attempt too much. If therefore the state were to open and furnish elementary schools for the purpose of teaching reading, writing, the English grammar, the rules of arithmetic, including vulgar and decimal fractions, mensuration, and the elements of geography, it would be perhaps as far as the temper of the times would admit. Less than this is surely too little. Some history of America and the American revolution, with the Declaration of Independence, the Constitution of the United States and of our own state, should be made school books. Snowden's History of America, or a concise history of the United States (McCulloch Philadelphia, 1795) either of them are a good size for the purpose, and sufficiently well compiled.

The great difficulty is to lay down the principles on which the schools should be conducted to make them answer the required purpose. There is great danger of their becoming jobs in the hands of the managers.

1. What is the plan of teaching most convenient to be adopted in our country? In South Carolina?

2. What provisions are necessary in the law to render these means of instruction efficient?

3. What provisions are necessary to secure the due application of the school funds, without defalcation or waste?

4. Should the instruction afforded, be without pay, and without any price exacted from the parents?

5. Can any means be adopted to insure to the public, that every citizen really has been educated to the extent proposed?

As to the first question. It appears to me, that where a dense population, and the number of students will justify it, the Lancasterian monitorial plan of mutual instruction as described in the first number of that excellent work, the Westminster Re-

view, is most efficient and most economical. It is therefore adapted to our large cities, and populous districts. But in country places, in remote townships settled as yet by scattered inhabitants, the schools should be conducted in the usual way, by single masters, until the population should admit of, or require a change.

As to the second question. The masters appointed, should devote every Saturday to examination into the acquirements of the preceding five days: and the trustees of the school should be required to attend at least all quarterly examinations. This should be a duty exacted under a penalty. At these quarterly examinations, specimens of proficiency, produced on the spot, on momentary requisition, should be demanded from each pupil. The secret of all school proficiency, is frequent and rigid examination.

I am inclined to think that every voter should be bound to declare, at every election, that the ticket by him delivered in, is in his own hand writing.

As to the third question. The expenditure of the money allowed to such school district, if the present plan of free schools, should be permitted to continue, should be rigidly enquired into twice a year, by some independent persons chosen at the general election to be school auditors of the district for the year. This audit should take place within a week after the expiration of the half year, and the result published in the newspaper; or in two newspapers of the place: open to a further audit if necessary, on motion made before the court of common pleas or chancery, shewing sufficient reason for further investigation. School funds are at present liable to great abuse, from collusion between the masters and the managers of the entrusted fund, and for want of some efficient means of rigidly compelling those who receive the money to account for its honest appropriation. This has been too much neglected in this State. But upon the plan I am about to propose, the expence of State schools will regulate itself, and there can be no room for expence arising from speculation or neglect.

As to the fourth question. I do not think that the free schools erected by the state, should be so free as to furnish knowledge without cost or price. This may do in the old countries of Europe, where taxation falls heavily on the poor; but I am per-

suaded that it is not eligible here. There is no man so poor in this country that he cannot afford half a day's wages per week for the education of his child. There is not an industrious man in the the United States who cannot afford twice that contribution.

Moreover, the common feeling among the poorer class in the United States, revolts at an obligation that looks like bestowing of alms. They would rather pay a small sum to a good school, frequented also by the children of more opulent parents, than to send their children to a charity school. This is a feeling fit to be encouraged: and if it be not checked by a system of poor rates, operating as a premium for idleness, and drunkenness, it will universally prevail.

I am inclined therefore to think, that every man however poor should be required to pay a small sum for the education of his children, that he may feel that he has *a right* to have them educated; and take an interest in the management and the success of the school.

The State therefore should furnish no more than a competent teacher, and pay him a moderate salary.* The school house and furniture with wood for firing, should be at the expence of the district; the school books, paper, slates, pens, ink, &c. should be at the charge of the parents. If an assistant teacher be wanted monitors may be appointed to relieve the master. Each parent also, ought to pay a small sum quarterly for each child he sends, which should form an addition to the master's emoluments.

If the master received from the State, 450 dollars a year for each school district, and two dollars a quarter for each pupil sent to school, where one only comes from one family, and one dollar each where two or more are sent, it would amount to a salary sufficient to ensure competent teachers: the trustees of each district (never exceeding in extent five miles square) might be nominated annually by the judge of the first session in the year. Their duty of superintendence, especially at quarterly examinations should be imperative and compulsory.

* I think the State also should furnish each schoolhouse with a map of the world, of Europe, of Asia, of Africa, of South America, of the West Indies, of Australasia, and of the United States: to be replaced when damaged by the Township by an order on the county treasurer by the school trustees.

The judge of the district on application of the trustees, might have power to remove a schoolmaster for misconduct or neglect, and appoint another. The schoolmasters might be chosen by the trustees, after examination as to their qualifications by the faculty of the college. The salary to be drawn from the State treasury. At present the State is at an expence of about forty thousand dollars a year for a very inefficient system of free schools, of which the city of Charleston absorbs nearly one half. Nor is any account annually published as it ought to be, of the names of the teachers, and the number of scholars in each district, nor how long each scholar stays at school, or how in particular the monies are expended.

As to the fifth question. I greatly doubt if any compulsory method other than I have now indicated, can be put in force so as to compel the evidences of the required education. For the most part, public example, and good feelings, will suffice to induce every parent to avail himself of the means afforded, because it is plainly his duty and his interest to give these advantages to his children. We may safely leave it therefore to the operation of parental interest.

There is a further question connected with this subject.

Ought the community at the public expence to establish universities, or collegiate seminaries for the teaching of the higher branches of knowledge? Branches to which the poor cannot have access and of which their probable avocations in future life will have no need?

I have no hesitation in saying yes. For the following reasons:

First. Knowledge is power. The higher grades of knowledge such as the higher mathematics and astronomy, chemistry, mechanical philosophy, the elements of politics, political economy, ethics, logic, the theory of language, of jurisprudence, of botany, mineralogy, anatomy, physiology and pathology are not only greatly conducive to private comfort and improvement, but they constitute the indispensable basis of all national power, national wealth, prosperity, reputation and happiness. The nations that possess them in the greatest degree, are the most powerful. The facts are too glaring to admit of doubt. Look at Great Britain and France: it is not necessary to look farther. I refer to the discourse of *Cuvier* already cited for the incalculable in-

fluence of the higher grades of science and literature on the happiness and prosperity of nations.

Secondly. These acquirements are not merely accessory of themselves and for their own sake, and for home use, but they constitute the main difference between nations in respect of their power and their influence over each other. For the extensive application of the higher branches of knowledge, I need refer not only to the discourse of Cuvier, but to Dupin's account of the prodigious scientific power of Great Britain; to the present state of astronomy and nautical instruments; to the discoveries and applications of chemistry; to the steam engine; and to the other innumerable labour saving machines guided by the higher mathematics, and the algebraical calculus, which seems to have subjected to its power the whole range of scientific fact.

Thirdly. The apparatus of every description, buildings, professors, instruments, machines, library, &c. absolutely necessary for instruction in the higher branches of knowledge, are far too expensive for any private speculation. Private persons, if they could command the necessary capital, could never command the price of tuition that would repay such an expenditure. In no nation whatever, have these institutions been attempted, or could they have succeeded without public aid to a great amount; and from the nature of them, they cannot be set up on an efficient scale, but at the public expence. Nor is this a misappropriation of the public money for the benefit of the rich, and to the exclusion of the poor. It is not meant to benefit the rich, or the poor, or both, or either: but as an instrument of national benefit, like an army or navy for public defence. These institutions are absolutely necessary to furnish us with the same advantage derived from the possession of knowledge, that our neighbours enjoy. The terms and conditions on which it is to be communicated, will vary with the condition of the society in which they are erected.

Thirdly. The higher the scale of education in the best society, the higher will be the amount of knowledge required, in every other class from the highest to the lowest. If the quantity of acquired knowledge in the higher ranks of society be but moderate, how can we expect any among the lowest? Experience has fully shewn that the progress and influence of good

education is downward. I hope it is not necessary to dwell on these truths, which no man of experience will hesitate for a moment to admit.

In this country of the United States, every state ought to have primary schools, and an university: a military and a naval school also might be desirable for the maritime states. The naval academy of the English, has been found of incalculable advantage.

It is not my business to enter into any details on these subjects, but merely to state what appear to me in this respect the duties of the government toward the people, or rather the duties of the people toward themselves: and what description of institutions rank among the necessary means of national prosperity. All the institutions and apparatus for the diffusion of knowledge among the people, from primary schools to the best appointed University, I consider as entering into the catalogue of expences of the very first and most indispensable necessity: nor can any state be in a high degree either powerful, safe, happy, or wise, whose governors are not alive to the importance of these truths.

CHAPTER 27.

OF POLICE LAWS RELATING TO HEALTH.

It is impossible to free the condition of man from disease and death. Nor is it desirable. If nature hath ordained the law of population to overrun when it is unchecked, the law of production and subsistence, she must have provided also the counterbalance. But disease produces no good to the individual or to society. It is attended with bodily anguish; with great uneasiness and anxiety to the relatives of the sick person; it paralyses all productive effort; it is a great consumer; it is in all respects an unmixed evil.

It is the duty of society therefore to establish and enforce such regulations, as will lessen the amount of disease, by eradicating as far as possible the chief sources of it.

The human race are exposed,

To ENDEMIC diseases, arising from local causes, and miasmatic influence; as goitre, plica polonica, marsh ague, dysentery, and swamp bilious fever, &c.

TO EPIDEMIC diseases, travelling over a greater or less extent of country, as typhus, influenza, plague, yellow fever: these are usually INFECTIOUS diseases, arising from miasmatic effluvia of a nature as yet unknown, mingling with the atmosphere.

TO CONTAGIOUS diseases of animal origin, as small pox, whooping cough, measles, psora, leprosy, syphilis, rabies, &c.

TO infectious diseases arising from crowded habitations, scanty food, inattention to cleanliness and ventilation, which render also many diseases infectious that otherwise would not be so: as typhus dysentery, fevers from filth in cities, from burying grounds, &c.

TO diseases arising from other nuisances, as unwholesome trades, and manufactures, bad water, or a deficient supply of water, &c.

Infectious miasmata are often wafted by currents of air to great distances.

So far as these causes of disease can be prevented by general laws or municipal regulations, it will be right to do so: and in many cases they can be. It is only in an advanced and enlightened stage of society that these objects are considered of sufficient importance to occupy legislative attention.

As a general rule, the government ought to pass a law in every country, erecting police institutions relating to the public health; such as a board of health; in each district of the country; dividing it into districts for this express purpose; and constituting these boards municipal authorities with general superintendence over the health police of their respective districts. The members ought not to be numerous; and two or three medical men should be attached to, or form a part (not a majority) of the board. The experience forced on Philadelphia by the yellow fevers which have afflicted that city, has taught them the absolute necessity of a board of health.

As to *endemic* diseases. Such as the malaria of the neighbourhood of Constantinople, of the sea coast of Italy, of the Campania di Roma, of the Pontine marshes, the swamps of South Carolina and Georgia, of the Fens of Essex and Lincolnshire, in England, the goitre of the pays de Valais, Pittsburgh, and the coast of Lake Erie, &c.—there is not a fact better established under our constant eye sight than this, viz: putrifying vegetable substances in moist and swampy grounds and receptacles of stag-

nant water, when the vegetable that has lived and flourished during the summer, dies, and is acted on by a hot sun in the months of August and September, produce at that season, intermittents and dysenteries in cold climates—bilious remittents in warm climates—and yellow fever or plague in hot climates: the form of plague probably arising from the complication of want of cleanliness with the annual sources of yellow fever.

The elements of medicine are not yet a part of elementary education any where in our country, except in the newly erected university of Virginia. Indeed, young men stay at college so short a time, that there is no opportunity of making it a general branch of instruction, however desirable. Hence all medical suggestions are deemed unworthy the notice of a politician, who is totally ignorant of the subject. The experience of Europe, is gradually introducing a new train of ideas on this subject. Among the sources of misery and depopulation, war, pestilence and famine, I place the various forms of pestilence at the head. Famine now occurs but seldom any where. War, is occasional; leaving peaceful intervals of about equal duration with the years of war. The pestilence from mal aria, is of annual occurrence; never ceasing; always encreasing. The neighbourhood of Constantinople is infested by it, where the plague is never extinct. The most fertile and heretofore populous coasts of Italy are rendered deserts by it: Rome is destined to be emptied of human inhabitants. The lower parts of our own southern country will be so too, unless some great plan of amelioration should be adopted and steadily pursued under legitimate sanction. The paradise of vegetation, (a moist soil in a hot climate) is the grave of human life.

People in general know so little of physiology and pathology, that the admonitions of the physician are like the prophecies of Cassandra, always unheeded. Hence the neglect of draining ponds near towns, the cutting down of trees that shut out the miasmata of swampy places and river banks; letting in incessant currents of poisoned atmosphere to the neighborhood. Hence, the filth permitted to accumulate in the yards of dwelling houses, and in the streets of the cities. Philadelphia for instance is surrounded with mud holes. Hence, a country abounding in swamps and marshes, annual sources of fever and pestilence, that might easily be drained or planted out, under the

junction of judicious municipal regulations, from a board with power to enforce the necessary precautions. Hence, the frequency of mill dams, mill ponds, and water-rotting hemp; which however profitable to the owners or the public, ought to be subjected to such precautions as would secure the health of the vicinity.

Epidemic diseases, are not easily prevented, and they are easily confounded with endemics which sometimes become epidemic; but the more cleanly habits, and the knowledge of the present day in the more civilized parts of Europe have completely conquered, the leprosy, the plague, the falling sickness, the sweating sickness, and the jail fever or malignant typhus. In our country, we are troubled with epidemic typhus, influenza, and as has been said, though I greatly doubt it, with epidemic yellow fever: but the filth of Charleston, New-York, and even of Philadelphia, clean as that city usually is, will produce endemic yellow fever with a thermometer permanently from eighty-two to eighty-five of fahrenheit during three of the summer months. The outskirts of Philadelphia are not clean; and the wharves are abominably filthy. New York is still more so. Philadelphia owes much to Dr. Samuel Jackson who has shewn in what way the yellow fever can be imprisoned and circumscribed until it be eradicated. Miasma does not mount over a perpendicular fence of a dozen feet high, so easily as over an inclined plain of one hundred feet high. The state of the evidence on the yellow fever at this day, is, that it is an endemic infectious disorder; convertible into an epidemic, but contagious only when the patient is in a confined apartment, and the air is unchanged; but not contagious or infectious in a well-aired apartment, with scrupulous attention to cleanliness. Hence, under these circumstances it *may* also, occasionally, be an imported disorder. But as it arises most frequently from the operation of a hot sun on mud and vegetable filth, and a high temperature, operating on putrifying vegetables in a warm climate, (causes quite sufficient to explain the phenomena) it is evident that the productive causes of yellow fever, are to a great degree within the compass of municipal regulation. The yellow fever never appears first in those parts of our cities that are kept perfectly free from offensive odours; neither is it communicated when the sick are removed

ed to the country, or when their apartments are well ventilated with pure air.

The epidemic typhus, and the jail-fever appear also to owe their origin to some kind of animal miasmata, arising from neglect of personal cleanliness; and capable of being wafted by currents of air to considerable distances; as at the black assizes at Oxford 1577, at the Old Bailey sessions in London May 11, 1750. (See Paris and Fonblanque's Med. Jur. vol. 1, p. 124 note.) The crowded and dirty state of jails, hospitals, poor houses, and boarding houses, is a proper subject of municipal controul, and would certainly fall within the powers and jurisdiction of a board of health. The health of the rich, is jeopardized by the filth of the poor. Such a board, also, ought to have power to remove persons from infected districts, as was done with excellent effect during the yellow fever in Philadelphia in 1819. I consider the government as responsible for yellow fever in all cities.

Influenza cannot be guarded against by any means with which I am acquainted. Diseases of *infection* are liable to the preceding remarks.

Diseases of *contagion** in some cases may, in others cannot be prevented. Thus, persons having the small pox, may properly be sent away to some place where they cannot infect others: and inoculating for the small pox, ought to be considered as an indictable offence since the introduction of vaccination. I beg those who doubt this to read the Quart. Rev. V. XXXIII. p: 550. Leprosy is banished from among us. Psora, will be so, as education improves. The other disorders of contagion I fear

* As the miasmata and effluvia of infectious diseases must come in contact with a body infected by them, generally by means of the Schneiderian membrane, they are in a certain sense contagious. By contagious disorders, strictly speaking, I mean, *animal poisons communicable by contact, independant of breathing*. The more I consider this subject, the more I am persuaded that the whole tribe of infectious and contagious disorders, owe their origin to animalculæ; and that they have their infancy, their maturity, and their decline. The whole doctrine of equivocal generation requires to be reconsidered. Yellow fever first attacks the stomach, bilious fever the liver: black vomit examined by a microscope, presents a congeries of animalculæ: the bubo of the plague is full of them: so are the pustules of psora. The rot in sheep seems to be owing to animalculæ. If this opinion be well founded, no wonder that a chemical examination of air, cannot detect miasma which does not depend on the chemical state of the atmosphere.

must be submitted to. There is some doubt whether the plague and yellow fever are contagious, unless from neglect of ventilation and cleanliness. Late investigations on the utility of Quarantine Laws, are contradictory. The disorders arising from miasma and neglect of cleanliness, as yellow fever, intermittents, dysenteries, typhus, may in a great measure be prevented by the prudent regulations of a board of health. The evil of burying places in cities, has been well and fully discussed by the committee appointed on this subject in New-York; by Dr. Pascalis of that city; and in the Philadelphia Medical Recorder for April 1825, No. 30. It is a practice that ought to be prohibited; as it has been in London, and was in Paris. I believe it is not now permitted in either of those cities. The police of Cloacæ (common sewers) is an object of still more importance.

The carrying on of unwholesome trades, and offensive matters exposed to the open air, are objects that come within the definition of nuisance in a legal point of view, and are also within the cognizance of a board of health. It is sufficient to have mentioned them in this place, as falling within the proper jurisdiction either of the law as it stands, or of a legislature reasonably anxious concerning the health of the community, submitted to its controul. A board of health ought to report periodically on these subjects. For further information I refer to Vol. 1. p. 85, 148 of Fonblanque and Paris's medical jurisprudence.

CHAPTER 27.

OF POLICE LAWS RELATING TO STATISTICAL FACTS.

It is of great importance to the people, and in particular to the governing powers of any country, to be fully aware of the facts, that indicate truly, the state of improvement, or deterioration, in all the details that make up the sum of national happiness and prosperity. Where these facts are left to conjecture, the people are kept in the dark.

Among the statistical facts, of which a well regulated government ought to publish an annual or other periodical report, are

(a) A decennial census of the people; such as the last census of the United States.

(b) Each state government should publish with aid of a board of health, an annual account of births, deaths, marriages and diseases producing death.*

(c) Also a tabular distribution of industry, agricultural, manufacturing, commercial; retail traders, mechanics; salaried officers, magistrates, physicians, lawyers and clergymen. Such an account would furnish much important information to the statesman and to the political economist as to the productive character of the national industry.

(d) An account of the arable, meadow, pasture, and uncultivated land, mines and quarries.

(e) The detail of the army, distribution and expence. With a detail and expence of the department of the secretary of war. Engineer corps, and fortifications.

(f) The same of the navy.

(g) The general report of the finance department. Expences of the executive, legislative, judicial, diplomatic bodies. Account of exports and imposts, with *the mode and rule of calculation* distinctly stated, that we may know what conclusions can be drawn from them. Duties and drawbacks. National debt and sinking fund. Terms of each loan, if any. A specification of taxes imposed, the assessment of each state and district; their actual productive amount; the expence of collection; the number of officers employed, their salaries, and delinquencies.

(h) An annual account in each state, of the pauper system, number of poor, mode of maintaining them, expence of maintaining them; sums assessed and sums collected; expences of law suits. Account of savings-banks, hospitals, alms houses, dispensaries.

* See a very interesting statement of the gross neglect of governments in this respect, in the 8th chap. of Mr. Ensor's valuable *Treatise on Population*. If the established clergy of England had not been negligent of and dead to all useful knowledge, the parochial population would have been ascertained long ago in that country with all desirable accuracy. But it would be difficult to say what useful facts we owe to that body, or for what useful purpose that hierarchy is maintained. See a statistical illustration of the British Empire, a thin octavo: 1825, London.—Full of important statistical facts.

(i) A state return of taverns, licenced and unlicenced, the tax collected thereon: lotteries, and lottery offices. Home distilleries, amount distilled.

(k) The prisons and bettering-houses of all descriptions: the number and kinds of criminal prosecutions, convictions and acquittals: the court expences attending them, the number of criminals committed and their respective punishments. The criminals who are committed for offences more than once. The prison discipline: the expence of building and governing the jail and keeping the prisoners. What fees on dismissal. If any money is given on dismissal to keep them from starving for a few days.

(l) The judiciary establishment, the number of writs issued: the number of causes on the docket at issue: the average number tried throughout the year: the court expences of trials. The number of judges, lawyers, magistrates, sheriffs, prothonotaries, and constables. So as to judge of the expence of the present law establishment to the people.

(m) The incorporated and unincorporated bodies, in each state; whether bankers, insurance, or joint stock companies, with their capitals, and their term of incorporation; and the particulars of each banking establishment as original capital to notes issued, funds, debts, &c.

(n) The number of clergy of all descriptions within each state; and of their subscribers: salaries of the ministers.

(o) An annual statement of immigrants into the United States: sex, occupation, age.

Such are the prominent items of a statistical account of the country, without which our statesmen will very often reason in the dark. In this country, we have nothing to conceal from the people. Publicity, is, or ought to be, the motto of a republican government. Concealment and mystery lead to deception; and are indeed the sure marks and signs of it: want of accurate facts to reason from, leads to mistake and misrule. The expence of ascertaining these facts, is absolutely nothing compared to their importance when obtained. It is the science of political economy alone, that can fully impress on our statesmen the value of such an accurate detail; and when that science becomes more diffused, the people will take care, that the required information shall be at hand in time of need, when a law is proposed bearing upon any part o

this detail. Would a statistical board, or permanent committee be an improvement?

Much of the enumerated information, we have already provided for in our country: but it ought to come out as a matter of course, in an annual volume or volumes, to serve as a perpetual book of fact to reason from as to the real state of the nation, and the means of its improvement.

CHAPTER 28.

OF THE PUBLIC WORKS THAT FALL WITHIN THE DUTIES OF GOVERNMENT.

It is manifest, that whatever expenditures necessary to the public good, exceed the funds of individuals, ought to be borne entirely, or aided in great part, by the public funds.

In England and in this country, turnpike roads and canals are matters of private speculation: hospitals also are universally erected by the charity of private citizens. In England, an old settled country, the accumulation of wealth will justify this practice, and the incessant demands of government for political purposes, leaves no surplus in the treasury to be devoted to purposes of mere public utility, unconnected with governmental views of politics. It seems as if this were also the case where it ought not to be.

Roads and canals, should be a State-expendence; undertaken with a sole view to public utility; performed by contract open to the most eligible contractor, on the most efficient security; and the expence repaid by a moderate toll sufficient to produce the interest of the money expended. The commissioners who determine the direction and line of roads and canals ought not to be taken from the neighborhood.*

* The present system of repairing township roads by calling out an assessed amount of labour, is a very extravagant one. The labourers seldom do half work. It ought to be changed for a money tax, and the repair of the roads let out by contract with security in divisions of from one mile to five. Either McAdam's or Telford's method as described by Mr. Strickland of Philadelphia ought to be steadily pursued; for though more expensive at first, it will be incalculably cheaper in the end. All public business should be let out by public contract with security.

Private interests would no doubt interfere to carry these undertakings in directions sometimes not the most eligible. But I know of no good not liable to abuse; and the republican principle of publicity in every public undertaking, is a safe-guard of great efficacy. In this way many useful projects would be carried into execution, that are passed over, or dropped in despair now: and much public improvement would be anticipated, which under present circumstances is long delayed.

The next eligible plan, would be, that which is often adopted in this country for government to take a share in such undertakings are likely to be of great public benefit, but are too burdensome on the funds of individuals. The guiding rule ought to be, that an undertaking, which is not likely at an early period of its completion, to insure at least legal interest upon the capital expended after all deduction, is not deserving of public encouragement. I think many of our canal schemes liable to this objection. Money can be laid out so as to produce this return; it is therefore misapplied, when it does not. Wait until it will.

In all these cases, my observations apply in this country, to state governments alone. I greatly doubt the constitutional powers at present claimed by and conceded to the general government of the Union, to take part in any such undertakings. The power and patronage of the general government already threaten the liberties of the country. The acquiescence of the state governments in these insidious measures, bribed to approve of them by the money proposed to be expended in the state, and taken out of the national treasury, seems to me like Esau's selling his birth-right for a mess of pottage. But I forbear further remark on this subject, as savouring too much of politics to be dwelt on here, however deeply the sources and distribution of public wealth, may be interested in the question.

THE END.

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ERRATA.

Many words are misspelt, owing to inaccurate correction of the press; but I have observed no mistake that obscures the sense, or that may not easily be detected, except Table 5th, in page 241, is by mistake a repetition of Table 3rd. Same page: after Table 7th, insert, The proportion. Page 130, line 3 from the top, for 1826 read 1816.